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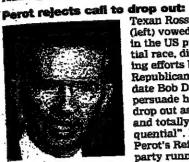
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Weekend FT Mighty, folksy giant of Europe



isiness Newspaper http://www.FT.com IMF likely to suspend \$10bn loan to Russia

The International Monetary Fund is likely to suspend the latest tranche of its \$10.2bn loan to Russia because of the government's poor tax collection record and its reluctance to open up its debt market to foreign investors. IMF experts monitoring Russia's compliance with its deal left Moscow after failing to reach agreement with local officials. Page 16



Texan Ross Perot (left) vowed to stay in the US presiden tial race, dismissing efforts by Republican candidate Bob Dole to persuade him to drop out as "weird and totally inconsequential". Mr Perot's Reform

party running mate, Pat Choate, said the approach from Mr Dole was proof he was not a viable candidate and urged Republicans to support the Reform ticket. Page 5; Observer, Page 15

Airlines hit by fuel price rise: Airlines are being forced to raise fares or - for the first time since the Gulf war - add fuel surcharges because aviation fuel prices have risen to a five-year high. Page 17; EU may force sirfare cuts, Page 2

braeils mark Rabin anniversary: laraelis marked the anniversary on the Jewish calendar of the November 4 assassination of prime minister Yitzhak Rabin, but the day was marred by the shooting of a Palestinian near Tel Aviv after soldiers claimed he fied a security checkpoint. Israel still divided, Page 4

China predicts grain self-sufficiency: China claimed it could maintain self-sufficiency in grain, dismissing international fears it will be heavily dependent on imports next century to meet demand estimated to rise to 550m tonnes by 2010, and 640m tonnes by 2030. Page 26

Deal over Black Sea fleet: The Ukrainian and Russian presidents calmed tensions over the division of the Black Sea fleet, but the two leaders would not give details of a final deal. Page 2

Japan to resume China aid: The Japanese government is considering resuming official grant aid to China aft of nearly 18 months, in recognition of Beijing's decision to sign the United Nations' global ban on nuclear testing. Page 16

UN cash crisis eases: Substantial payments by the US in the past few weeks have helped relieve the United Nations' cash crisis, reducing the total owed by member

states to \$2.5bn. Page 4 US arms shipped to Bosnia: The biggest shipment of US arms to Bosnia arrived as Washington stepped up efforts to force a merger between the Moslem-led Bos-nian army and Bosnian Croat forces. Page 3;

Editorial Comment, Page 15 Apec urged to drop trade barriers: Asian business leaders urged their political counterparts in the 18-member Asia Pacific Economic Co-operation forum to go beyond reducing tariffs on imports and pledge to eliminate other barriers to trade. Page 7

Portugal plans transport sell-off: Portugal is to sell a controlling stake in the main motorway network and involve the private sector in the state airline, railways, ports, airports and roadbuilding in a sweep-ing privatisation programme for the country's transport system. Page 3

Japanese car output rises: Japan's car industry output rose by 0.3 per cent in the six months to September, the first half-year rise in six years, providing the latest evidence of a gentle economic recovery. Page 6

Poland legalises abortion: Poland's lower house of parliament overthrew a Senate veto and passed a bill liberalising abortion, despite opposition from the Catholic Church and Polish-born Pope John Paul II.

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the miracle

Special Report, Page 8

FRIDAY OCTOBER 25 1996 Report warns of extraordinary costs in introducing single currency

Euro may cost retailers \$21bn the single currency project on hanging over the Emu plans. Europe's businesses and conOne is whether the new curensure shops would have to ensure shops would have to ensure shops would have to

By Gillian Tett,

European Union retailers could face extraordinary costs of more than Ecus27bn (\$21.4bn) - almost 2 per cent of their total annual turnover - in adapting their operations to the introduction of the euro, according to a private industry

research report. The figure, equivalent to about \$100 per person in the EU, provides the first concrete estimate outside the banking sector of the costs European monetary union will force companies to bear.

The estimate is likely to fuel concern about the impact of

California

telephone

networks

By Louise Kehoe

California's

overloaded

by Internet

networks are in danger of col-

lapse because of increasing

use of the Internet, according

to one of the largest telephone

The explosion of the Inter-

net is flooding our networks," warned Pacific Bell, the west-

ern US regional telephone

company. It said heavy Inter-

net use had changed the pat-

tern of telephone traffic, caus-

ing serious problems in

metropolitan areas including

San Francisco, Los Angeles

dismissed Pac Bell's warning

as an excuse for increasing

tariffs, which are particularly

favourable to Internet users.

In Silicon Valley, where

Internet traffic is heavier than

in any other part of the US, as

many as one in six telephone calls does not go through on

the first try because of Inter-net overload. The normal fail-

ure rate is one in a hundred.

Addressing a trade show in Anaheim on Wednesday night, Mr Michael Fitzpatrick, chief

executive of Pacific Telesis,

Pac Bell's parent company,

said 16 California telephone

switching centres were

With Internet use doubling

each year, the problems would

et worse. About 8 per cent of

California households use the

Internet. "A huge tie-up of the

local network would occur if

Internet use . . . expanded to

reach 15 per cent of house-

Mr Fitzpatrick said his top

concern was the first leg of an

Internet user's call, from the

nome to the Internet service

provider's local access point.

Because these local calls are

free of charge, there is no

incentive for Internet users to

hang up quickly. Some people

leave their computers hooked

The US telephone network is

up to the Internet for hours.

calls, said Mr Fitzpatrick.

"My indicators point to a

genuine data tsunami, a tidal

wave, in the next 18 months.

And ... while we can surf the

net, nobody can surf a tidal

Pac Bell is calling on the

Federal Communications Com-

mission to change its regula-

tions, which exempt Internet

service providers from some

local telephone network

wave," said Mr Fitzpatrick.

incountering problems.

holds," he said.

companies in the US.

and San Diego.

telephone

Leading retailers point out that margins will be squeezed or inflation will be pushed up. "If the cost is not passed on to consumer, the blow to retail profits would be devastating," Lord Blyth, deputy chairman and chief executive of Boots the Chemist, a leading British chain, said yesterday.

The research report by Euro-Commerce, the EU retailing body, warns: "It would be politically difficult to sell the euro to citizens if as a result, prices would increase."

The report also reveals significant unresolved issues are

rency will be introduced in one "big bang" switchover or stag-gered over six months.

EuroCommerce's calculations are based on two sepa-rate scenarios for introduction of the euro in 2002. (Implementation of Emu is to begin in 1999, but the euro will go into general circulation only three years later.)

The first assumes transition to a single currency over six months in 2002, with the euro and national currencies circulating in tandem in this period. Some European officials believe this would be the most acceptable to the public. Con-

cies during this period. EuroCommerce has calculated that this option would cost retailers Ecus27bn. About 5bn of this would stem from the physical problems of handling two currencies in the shops, while Ecus4bn would arise from dual display of

Other costs arise from computer changes, staff training, and public information cam-

These projections have startled the industry. "I am aghast at this estimate. If these costs are to be passed on to consum-

said: "We are very much in favour of the euro, but politicians and parliament must not forget that they need retailers to help the public get used to

the new money." EuroCommerce argues that if a "big bang" transition were used instead, this could cut the bill to Ecus17bn - about 1.1 per cent of the total value of

the EU's retail turnover. Retailers are due to meet the Commission to discuss their estimates shortly. Their suggestions are likely to be opposed by consumer groups.

Philips president orders drastic overhaul

By Gordon Cramb in Eindhoven

Philips, Europe's largest electronics company, is to shed lossmaking units and prune management layers in a drastic overhaul ordered yesterday by Mr Cor Boonstra, its new

president. The reforms will cost Fi 1bn (\$586m), to be taken as a writeoff against the Dutch-based group's already depleted earnings this year. It could also mean the spin-off of one or more profitable divisions into separate quoted companies.

Making an unscheduled appearance at a press conference called to announce a 77.2 per cent slide in third-quarter net earnings to Fl 123m, Mr Boonstra was trenchant both in describing the problems and saying how they should be remedied. "We could refer to price erosion, we could talk about our competitive environment. My message to you is another. We are not blaming the market, we are not blaming competition. We are blaming us. Our management is accountable for this third quarter.

"The people in our factories have had their work measured and gone through efficiency drives," he noted. "In this reorganisation the focus will be on management layers, the quality of management, and better marketing and sales."

He said that Mr Jan Timmer, his predecessor who stepped down at the end of last month. had "embedded the company with the culture of change, but we clearly overestimated our capacity to grow. We were too optimistic in, for example, growing our organisational costs to meet our expectations instead of taking reality into account".

In six years as Philips chief Mr Timmer took the group to record profits from what Mr Boonstra acknowledged was the danger of bankruptcy that is not the case today".

Continued on Page 16

entitiements. They were among more than 400,000 workers who yesterday downed tools to join nationwide protests in the most forceful demonstration so far of the country's rapidly deteriorating labour relations. The engineering employers' federation said the strikes The group shed thousands of caused "massive production losses and lasting damage" to Germany as a manufacturing centre. Report, Page 24; EU jobs report blocked, Page 16 Chastened Philips, Page 18

German engineering workers demonstrate outside a steel plant in Duisburg following the collapse of crisis talks on Wednesday between the IG Metall union and the employers over sick pay and other social

Fresh approach may spark battle to control Cepa By John Ridding in Hong Kong Southern. "I think that would

and James Kynge in Kuala

A contest for Consolidated Electric Power Asia developed yesterday when it emerged that the Hong Kong-based power group had been approached by a third party, thought to be Malaysia's YTL Corporation.

The news comes just two weeks after Hopewell Holdings, the property and infrastructure company which has a majority stake in Cepa, agreed a US\$2.7bn bid from Southern Company of the US. Shares in Cepa, Asia's pioneering power producer, rose HK\$0.10 to HK\$17.95, on top of an increase of about 20 per cent since Hopewell announced plans to cede con-

designed to handle voice calls lasting an average four minutes, but the average internet In a statement to the Hong call is over 20 minutes, and 10 Kong Stock Exchange yesterper cent of Internet calls go on for more than an hour. day, Cepa said that since the accord with Southern, it had New technologies providing been approached by a comgraphics, video and audio on pany seeking the possible acquisition of a controlling the Internet exacerbate the situation by drawing new stake. However, it said no offer or formal proposal had been users and encouraging longer

received. Mr Gordon Wu, founder and executive chairman of Cepa, told reporters in Manila that YTL was the company in ques-tion. The Malaysian company would not comment, while Southern said it hoped that its agreement with Cepa would go

Analysts in Hong Kong were guarded about the prospects of Cepa being wrested from

be difficult. It is unclear whether YTL could top what is already a pretty generous price," said one, referring to the HK\$18.50-a-share offer from the US group. "A key question is whether Hopewell would be able to accept an offer which did not involve a general offer to shareholders," said Ms Alice Hui, analyst at W. I. Carr. She said YTL, which has a market capitalisation roughly the same as Cepa, might be seek-

ing a minority stake. In Kuala Lumpur, analysts said the acquisition of Cepa would be a big strategic step for YTL, which is Malaysia's first independent power pro-ducer. It holds a lucrative contract to sell electricity to Tenaga Nasional, the state utility, for 21 years from March 1995.

While financing such a deal would be funded from YTL's strong balance sheet, observers questioned whether it could afford to pursue Cepa while it plans to take a 51 per cent stake in Zimbabwe's state-owned Hwange power station, in a deal valued at US\$580m.

Hopewell's sale of Cepa has been motivated partly by its need to raise funds for its infrastructure projects in Thailand and China, and by its

debt burden.
The group's annual report,
published this week, revealed
total debts at the end of June stood at HK\$28.6bn while its

net debt to equity ratio had risen from 62 per cent on June 30 1995 to 92 per cent. 30,31 __32 33,36

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1.67 million USD (1 USD=30 SKK). Central European Securities House, Inc. is the largest broker-dealer in securities on the domestic market and the company's position corresponds to the fact. Co-operation with a major French bank, thru its Slovak subsidiary, on a partnership basis is an acknowledgement of our growing potential. Central European Securities House Inc. acquired a stable position in both the bond and

money market. According to the contract with the Ministry of Finance the company pays out the principal and coupons of Slovak government bonds in cooperation with the National

The company offers a range of attractive services for the management of clients' assets. The company's experience in large projects financing is our main advantage in investment banking services. In 1994, we participated in the forming of an insurance company of a new type (Vzajorana zivotna poistovna, a.s) as the second greatest shareholder. Last year in autumn Central European Securities House, Inc. managed to find large financial sources and thereby helped to open a new Slovak bank (Dopravna banka, a.s. in Banska Bystrica). The company also participates in financing of municipal needs. This year, we have prepared and successfully placed municipal bonds of the town of Gelnica. In the near future, we aim to strengthen our position in the secondary securities market.

The company's performance has had a dynamic development. The money Market Operations Turnover was 10.61 billion SKK (354 million USD) in 1995.

The company's main goal is to provide reliable services for our clients, including private individuals and counterparts from commercial banks, investment funds, unit trusts and other brokers. All of the company's activities are handled in full coincidence with the signed contracts, that follow our legislation.

As indicated by the name of the company, after successful establishment on the domestic market we intend to expand our activities in other Central European countries.

More than 400,000 workers down tools to protest at 20% sick pay cut

Engineering strikes engulf Germany

More than 400,000 German engineering workers yesterday panies staged a full-day strike. downed tools to join nationwide onstration so far of the country's rapidly deteriorating labour rela-

Gesamtmetall, the engineering employers federation, said the controlled "warning fire" in front strikes caused "massive production losses and lasting damage" to Germany as a manufacturing centre.

The day of strikes and marches follows the breakdown on Wednesday of crisis talks between employers and unions over sick pay and other social entitlements. The failure to agree a deal has led employers to question the future of regional wage bargaining, a hallmark of the German social market

IG Metall, the engineering union,

the country's industrial heartland. where 187,000 workers in 750 com-

In Baden-Württemberg, a centre protests in the most forceful dem- for the engineering industry, around 120,000 workers walked out for several hours.

Workers at Westfalenhütte, a Dortmund steel company, ignited a of the company's gates to express their anger and to keep warm.

Mercedes-Benz, the car and truck maker, was one of the main targets, with 32,000 workers taking part in the demonstrations. Several other famous names of German industry were affected by the strikes, including Audi and Bosch.

At Blohm + Voss, the Hamburg shipyard, workers carried placards encouraging colleagues "to preserve the inheritance of our fathers", a reference to a strike which began 40 years ago yester-

By Wolfgang Münchau in Frankfurt tions on North Rhine-Westphalia, day in which German steelworkers guarantee which was later enshrined in law.

> The guarantee stated that workers are entitled to 100 per cent of total pay - including overtime and bonuses - when ill. A recent change in German law lowers the guarantee to 80 per cent, but employers faced nationwide protests when they tried to move their workers on to the new legal mini-

The determination with which German trade unionists are defending the 100 per cent sick pay scheme was summed up yesterday by a Blohm + Voss worker who insisted that the issue was one "over which we don't even talk".

Yesterday's demonstration were the second this month: more than 100,000 workers walked out on October 1, the day the new sick pay law took effect.

secured a contractual sick pay that the dispute had led to a surge in membership. The union, already the world's largest, with close to 3m members, has recruited over 10,000 members this month.

NEWS: EUROPE

Gesamtmetall said yesterday's action "demonstrates to domestic and foreign investors that the preservation of social entitlements counts more than competitiveness". It said 142,000 jobs had been lost over the last 12 months because they were too expensive.

The sick pay dispute is an opening skirmish in a battle which will utimately be over the welfare state itself. IG Metall fears that a defeat would open the floodgates for further welfare cuts and a dismantling of the country's corporatist labour structures, including the system of wage negotiations.

Germany's practice of employer federations and trade unions nego-

IG Metall announced yesterday binding for the vast majority of companies in the sector is unique among the world's leading industrial nations. The deals allow for slight regional variations, but do not allow companies to negotiate at plant level

Federations such as Gesamtmetall are torn between rising scepticism among their members and a wish to preserve a system that has given rise to their own existence.

In defence of the status quo, the federation argues that companies would otherwise need to create their own industrial relations infrastructure to deal with wage increases, working hours and fringe benefits. They would also risk being exposed to targeted action by IG Metall.

Labour relations in the engineering industry have traditionally been difficult because of the dispatiating labour agreements that are rate interests the sector represents.

EUROPEAN NEWS DIGEST

Fresh scandal hits Gaullists

The French prime minister's office has reimbursed Air France, which had paid the salary of one of its senior political employees for more than two years, in the latest scandal to touch the ruling Gaullist RPR party,

It has repaid the national airline more than FFrim (\$190,000) in salary and social security contributions paid to Mr Dominique Tiberi in his role as head of the private office of Mr Roger Romani, minister for parliamentary relations. The information places new pressure on Mr Jean Tiberi, Dominique's father, the RPR politician who took over as mayor of Paris following the election to the presidency last May of Mr Jacques Chirac, his RPR

The details also help confirm long standing allegations about "fake salaries" paid by Air France to a series of political appointees, most of whom never worked for the company.

Other advisers paid by Air France included Mr Gérard Colé, the former head of the French lottery who is now under investigation for corruption allegations. This inquiry led to the discovery of payments to other individuals, and has triggered a separate, wider inquiry opened by the Paris public prosecutor. Andrew Jock, Paris

Spending in France down

French household spending on manufactured goods fell 15 per cent in September, in spite of a second consecutive strong monthly increase in purchases of new cars, according to figures published yesterday by Insee, the national statistics institute.

The decline did not prevent household consumption for the third quarter as a whole from registering a reasonably strong 2.6 per cent increase. But it sugared badly for the final quarter, when car sales are expected to be significantly lower, following the expiry on September 30. of a government incentive scheme for new car buyers. Household consumption in September was still more than

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4 per cent up on September 1995. By sector, consumption of textiles and leather was. down 10.5 per cent from August (and 9.9 per cent from September 1995), while spending on household goods such as televisions and hi-fi equipment fell 6.3 per cent (3.5 per cent). Purchases of cars rose 18.8 per cent, after a similar 18.4 per cent increese in August

Funereal protest in Madrid

Madrid traffic slowed to a funereal pace yesterday as private sector undertakers brought their hearses to demonstrate in the manner they know best - a solemn procession. A grim cortege of 2,000 vehicles, according to the organisers, rolled from the stadium of Spanish league champions Atlético de Madrid to the economy ministry to protest against the obstacles local councils are putting in the way of competition.

The centre-right government approved measures in

June to liberalise the funeral business, ending council controlled monopolies in cities like Madrid. But it left it up to town halls to decide the rules. In Madrid this means undertakers have to own at least 30 hearses, have 4,000 coffins in stock and be locally-based. Companies say they are prepared to go on a burial

strike if conditions are not eased. David White, Madrid

Poland scales down tax cuts

Poland's parliament yesterday voted to cut income tax next year for the lowest income groups, in a defeat for the former communist Left Democratic Alliance (SLD), the senior partner in the ruling coalition, which had proposed

cutting tax rates for all wage earners.

The Polish Peasant party (PSL), the junior coalition partner, sided with the opposition Freedom Union against the SLD in a move described by Mr Wlodzimierz Cimoszewicz, the prime minister, as "demagogic and populist"_

The tax cuts are estimated to add 260m zlotys to next year's budget deficit, which was originally set at 11.3bn zlotys or 2.6 per cent of GDP. Yesterday Ms Hanna Gronkiewicz Waltz, the head of the National Bank of Poland, the central bank; said it would have to follow a tight money policy if the target of 13 per cent annual inflation was to be reached. Christopher Bobinski, Worsen

Ryanair advert condemned

The Advertising Standards Authority for Ireland said it upheld complaints by pilots about a Ryanair advertisement featuring a bijacked Sudan Airways jet on the tarmac at London's Stansted airport with the slogan "It's amazing what lengths people will go to fly cheaper. than Ryanair". ASAI said the advert lacked a sense of responsibility to consumers and society. Pilots had complained it was bad taste to capitalise on the misfortune of another airline and said it could be seen as an incitement to commit crime. Ryanair argued the hijacking had raised public awareness of the airport and had ended without injury or loss of life. Reuter, Dublin

French police yesterday morning arrested a dozen people in connection with investigations into the explosion at the town hall of Bordeaux this month, for which Corsican nationalists claimed Andrew Jack, Paris

■ Bulgaria's Securities and Stock Exchange Commission

yesterday suspended trading in all 19 quoted companies after they failed to meet legal requirements. The exchange said none had complied with new rules obliging public companies to submit to the SSEC by September 19 a detailed report on the size and distribution of their capital and their shareholders.

Kinnock may force cut in EU airfares

By Caroline Southey in Brussels

Mr Neil Kinnock, the European commissioner for transport, yesterday threatened to order airlines to withdraw airfares deemed to be too expensive, as part of a crackdown on high ticket prices across the EU.

Mr Kinnock warned that some charges within the EU "could be described as excessive". The overcharging was confined to fully flexible tickets, as a rise in promotional fares and more charter flights meant that over 90 per cent of passengers were paying lower fares compared with three years ago.

Mr Kinnock's threat prompted an angry response from the airline industry. "The Commission's reaction Is misguided," said Mr David Henderson, manager for information for the Association of European Airlines.

He blamed the high level of fares on high costs for airport and other services, such as ground handling and air traffic control. "The Commission should be doing

Mr Kinnock said the Commission had not yet identified the airfares it would target. But Commission figures released yesterday showed that fares on flights to and from German airports including internal flights and those to other EU destinations - ranked the high-

Mr Henderson said the Commission was "looking at

the wrong figures" - in some instances high fares simply reflected the fact that operating costs in that country were high. "There are a lot of factual errors in the fig-

ures." he said. Mr Kinnock's threat followed the release of a report on the impact of three years' of air liberalisation in the EU. The final phase in opening EU air transport to competition is due to be fully in

place by April 1997. Mr Kinnock said the drive against high airfares would include ordering airlines to withdraw tickets deemed to too expensive. The Commission has never exercised powers given to it three years ago to order withdrawals. He also threatened to use EU competition rules barring companies from holding dominant positions and price-fixing. Mr Kinnock admitted tackling high air fares would also involve reducing airlines' operating costs to allow new entrants

into the market. The report on the progress of liberalisation showed that the number of routes had something about the fact increased from 490 to 520 that new entrants cannot during the last three years, come and push down prices while there had been a rise because costs are so high." in the number of routes in the number of routes served by two operators to 30 per cent and a three-fold increase in the number of routes served by at least three operators.

Airfares most affected by greater competition were on flights from Brussels to Madrid, Barcelona, Milan, Rome, Vienna and Copenhagen and from London to Paris. Amsterdam, Brussels and



A warship in dock at Sevastopol, Crimea. Russia's lower house said Moscow would never hand over the port

Russian and Ukrainian leaders calm tension on Black Sea fleet

in Moscow and Matthew Kaminski in Kiev

The Ukrainian and Russian presidents yesterday calmed tensions over the division of the Black Sea Fleet, but the two leaders would not give details of a final deal.

Mr Leonid Kuchma, the Ukrainian president, held a hastily arranged meeting with Mr Boris Yeltsin, his Russian counterpart, in an effort to salvage a relationship seriously shaken by two inflammatory laws passed by the Russian parliament this

Mr Kuchma and a Kremlin spokesman said the 30minute discussion had resolved the long-running disagreement over the

the 600 vessels in the Black Russian counterpart had

'Mr Kuchma said Mr Victor . Chernomyrdin, the Russian premier, would travel to Kiev before mid-November to sign a final deal.

raising fears that the main guarantor of peaceful dispute, which has clouded Ukrainian-Russian relations since the collapse of the Soviet Union in 1991, could

Over the past two years, Mr Yeltsin has planned six broad-ranging friendship treaty, but unresolved issues, particularly the struggle over the fleet, have forced the cancellation of each scheduled visit.

Mr Kuchma said that his pledged he would come to Kiev before the end of the year to sign the long-awaited treaty.

Yesterday's impromptu Slavic summit also Neither side gave details underscored the Ukrainian of the new agreement, belief that Mr Yeltsin is the relations between the two states and Kiev's concern that the Kremlin leader's poor health could jeopardise the two countries nervous

co-existance. "Boris Nikolaevich Yeltsin trips to Kiev to sign a is needed not only in Russia, especially under the current circumstances. Ilkraine mayor, Mr Yuri Luzhkov, needs Boris Nikolaevich too. The world needs Boris Nikolaevich," Mr Kuchma

that Mr Yeltsin seemed to be more fit than he had been during his August 9 inauguration, the last time the president appeared in public Kiev has been especially

upset by two decisions overwhelmingly endorsed by the Russian parliament this week: a law warning that Russia will never cede control of Sevastopol, the Black Sea Fleet's Crimean port, and a draft law passed yesterday which seeks to stop the division of the fleet.

The measure followed statements from the Moscow and Mr Alexander Lebed, the former Russian security chief, that Sevastopol remained a Russia city.

concern about the size of the

budget deficit, the Austrian

chancellor said his country

would have "no problem

ienna in drive to win public over to

By William Hall in Vienna

The Austrian government is planning a campaign to persuade an increasingly sceptical Austrian electorate of the advantages of joining the proposed single European

Mr Franz Vranitzky, the chancellor, said his government's recent setback in the European elections, when the far-right Freedom party of Mr Jorg Haider won nearly 28 per cent of the

determination to be among the founder members of the single currency in 1999.

But in an interview, he admitted that the Freedom party's success had made the task more difficult. He said it signalled an urgent need for the leaders of Austria's "social partnership" to play a more active role in explaining the advantages of Austria's planned membership of the new currency. He also hinted that Aus-

truncheon-wielding miners

and informed terrified MPs

that his men intended to

It was the start of three

toppled Romania's first dem-

ocratically elected govern-

Mr Cozma hopes to

address parliament again

soon: he is running for the

Senate in next month's gen-

eral elections, Romania's

third since the collapse of

He still heads the feared

Jiu Valley miners, as well as

several other unions, but

cuts a very different kind of

figure these days. Dressed in

a smart suit and silk tie with

a diamond ring on his finger.

he travels in a swish Renault

Laguna, stopping to hand ly subsidised local coal com-

ment in half a century.

impose "order".

communism.

concrete measures to offset the negative short-term economic costs of the move to a single currency. Mr Vranitzky said it was

important that the move to monetary union was accompanied by more aggressive efforts to create employment. "If we leave our people alone with monetary objectives which they can hardly understand, and which they believe do not add much to their lives, then tiatives in areas such as

vote, had not shaken its firm tria planned to take more they will not buy a new European currency.

Mr Vranitzky said this was his country's most important political challenge and it would be a decisive factor in Austria's next general election campaign, likely to coincide with the start of a single currency.

He said the government had to persuade Austrians that along the road to Emu the government was also taking supporting policy ini-

employment, infrastructure, research and development and education.

Mr Vranitzky stressed that any new policy initiatives would not be allowed to undermine Austria's commitment to meet the Maastricht convergence criteria. The budget for 1996 and 1997 had already been set and would not be re-opened. In 1998, Austria would continue to pursue a "very careful" budget strategy.
Although there has been

meeting its public debt targets on time". He denied unexpectedly slow growth in the economy would make it more difficult to meet the convergence criteria.

• The Freedom party yesterday rejected offers to link up with Flemish and French rightwingers to establish an anti-Maastricht faction in the European Parliament

Leader of the Jiu Valley miners brushes up his image ahead of race for the Romanian Senate 'People's man' cuts a dash for the voters

THE FIVANCIAL TIMES
Published by The Firancial Times (Europe)
GmbH, Nibelungemplatz 3, 60318 Frankfurt am Main, Germany, Telephone ++49
69 156 850, Fax ++49 69 596 481. Represented in Frankfurt by J. Walter Brand,
Wilhelm J. Brüssel, Colin A. Kennard as
Geschäftführer and in London by David
C.M. Bell, Chauman, and Alan C. Miller,
Densutz Chaironan. Shensholders of the C.M. Bell, Chairman, and Alan C. Miller; Deputy Chairman. Shareholders of the Financial Times (Europe) EnabH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited. Number One Southwark Bridge, London SET 0417 SÉI 9HL. GERMANY:

CERMANY:
Responsible for Advertising: Colin A. Kennard. Printer: Hirmyet International Verlagsgesetlschaft mbH. Admiral-Rosendahl-Strasse 3a. 63263 Neu Isenburg ISSN 0174-7363. Responsible Editor: Richard Lambert. do The Financial Times Limited. Number One Southwark Bridge. London SEI 9HL.

FRANCES
Publishing Director: P. Maraviglia. 42 Rue
La Boètie. 75008 PARIS. Telephone (01)
5376 8254. Fax (01) 5376 8253. Frinter:
S.A. Nord Eclair. 1521 Rue de Caire,
F-59100 Roubaix Cedes. 1. Echtor: Richard
Lambert. ISSN 1148-2753. Commission
Paritaire No 67809D.
SWEDEN:

Responsible Publisher: Hugh Carnegy 468 618 6088, Printer: AB Kvällstidningen Expressen. PO Box 6007, S-550 06, Jonkoyang

O The Financial Times Limited 1996.
Editor: Richard Lambert.
clo The Financial Times Limited, Number
Coe Southwark Bridge, London SEI 9HL

ive years ago Miron out red carnations, election pany run up debts of about tions are primitive," he says.

Cozma stormed the pins and school notebooks to \$200m - a huge sum in a Mr Butulescu is the local Romanian parliament the waiting crowds. at the head of a column of His platform is vague. "I

am a fighter," he says without apparent irony. "The people [union members] have chosen me to represent their interests and this is days of miner-led riots that what I do. I am my people's man.

This has considerable resonance in the Jiu Valley, Romania's main coal mining area, deep in the Carpathian mountains, eight hours' drive west of Bucharest.

Under Mr Cozma, restructuring of the loss-making mines has been minimal and the valley's 42,000 miners have kept many privileges. They pay no rent and only token power bills, receive free meals and transport, and are among the country's best paid employees. This has helped the heavi-

\$200m - a huge sum in a country where the average monthly pay is just \$100. Mr Valeriu Butulescu, one of Mr Cozma's rivals in the Senate race, says the mines'

that rather than promoting

nically backward. the mines] is that about 80 per cent of expenses go on pay, leaving no money for modernisation. Productivity the miners' bloody incur-

leader of the Social Democratic Union, a pro-reform alliance led by Mr Petre Roman, the former prime minister whose government problems are symptomatic of the miners overthrew. It the leftist government's now appears to have a good flawed economic policy - chance of forming a coalition

Mr Butulescu is the local

Virginia Marsh on Miron Cozma's efforts on Romania's hustings

government with the centreinvestment and establishing right Democratic Convenadequate social security, it has allowed industry to remain overstaffed and tech-

"The biggest problem [in is very low, there is little sions on Bucharest in 1990 mechanisation and condi- and 1991 have never been

tion, Romania's other main opposition group. Mr Cozma is standing as an independent, although he is seen as politically close to the governing Party of Social Democracy. The events surrounding

fully clarified but many believe that President Ion Iliescu and his supporters summoned Mr Cozma and his men to the capital. After miner-led riots in

June 1990 which left several people dead, Mr Iliescu stunned the world by thanking the miners - an incident that led to his government's. international isolation.

But these days Mr Cozma Riescu - who is running for a third term in presidential elections also due on November 3 - wants to be associated with. The president and his party, the core of the group of former communists that have held power since the overthrow of the Ceausescu regime in 1989, now portray themselves as moderates, dedicated to reform, building social peace, and to speeding Romania's membership of Nato and the EU.

A persistent undertone in the governing team's election message is that an opposition government would bring chaos to Romania and that it alone is capable of maintaining stability and keeping the likes of Mr Cozma's miners under control. The opposition is also seeking to change its image.

At the last elections in 1992, it lacked unity, was domiis one of the last people Mr nated by former dissidents and intellectuals, was virulently anti-communist and distrusted those who had held senior positions under the Ceauseson regime. It is now much more real-

istic. In June's local elections, for example, an opposition party won by a landslide the mayor's race in Petrosani, the largest of the Mires Jin Valley's mining towns miners in front of the and Mr Cozma's base, which dentied palace after falls would have been inconceiv-



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HES I SHAN CHANGE

socialist a sweeping privatisation programme for the country's iransport system, involving the sale of a controlling stake in the main motorway network and private sector involvement in the state airline, railways, ports, airports and roadbuilding.

"We want our transport systems to operate on a competitive besis by separating the management of infrastructure from the operation of services," said Mr João Cravinho, minister for planning and public works. "Independent regulators will be set up to ensure fair and

efficient competition." The plan includes the pri-

vatisation of Brisa, Portugal's motorway monopoly currently 90 per cent govern-ment-controlled - Ana, the airport authority, and TAP. Air Portugal, the national airline, Mr Cravinho said in an interview.

Private-sector companies would also almost certainly be involved in the finance, construction and operation of a second Lisbon airport, he said. The government would begin choosing a site for the airport, one of Portugal's biggest infrastructure

projects to date, next year. Caminhos de Ferro Portugueses (CP), the state railway monopoly, is to be split into two state-owned companies by the beginning of 1997 - one to manage track and other infrastruc-

ture, the other to run trains. Management concessions would be granted to privatesector groups to operate some suburban and regional lines. Build, operate and transfer contracts for light suburban railways, or metros, would also be put out to tender in several

Companies such as cement or chemical groups would be able to submit proposals to run their own trains over the state-owned railway.

Bids for two concessions to build and operate toll motorways in the western and northern regions of Portugal are to be sought in November and January, respectively. The contracts involve investments totalling Es200bn (\$1.3bn)

introduced in areas where traffic is low and the tolls required to make motorways commercially viable would be punitively high. Operators will count cars as normal and bill the state for the

respective toils.

The advantage of this system is that the state finances the construction of motorways over 20 years rather than in two or three," said Mr Cravinho. "By involving the private sector, more will be invested in transport systems without substantially increasing the

level of state finance." A timetable is yet to be fixed for the sale of Brisa. The state will keep a minor-

over the next three years.

"Shadow tolling" is to be is to be restructured before privatisation. Air traffic control will remain under state control. Operation of airports will come under private management and an independent regulator set up

> Mr Cravinho said the government would seek a strategic partner for TAP next year in an alliance that could involve the sale of a minority stake in the airline. KLM Royal Dutch Airlines and Swissair have been reported among the potential

> The commercial operation of Portugal's sea ports is also to come under private management, regulated by a central port authority, he

of integration, said.

operating companies.

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Call for **EU-wide** network

Transport Correspondent

The European Commission should set up a European Infrastructure Agency to come obstacles delaying implementation of a Ecu400bu (£321bn) programme of pan-European transport networks, the Federal Trust, a London-based think tank said yesterday.

The agency would be a high-level body which could call on the expertise of the commission, the European Investment Bank, the European Investment Fund. member governments and the private sector to promote projects, the trust, which specialises in issues

The agency would encour age a more rational choice of priorities for carrying out the projects; would encourage new sources of finance including public equity and private infrastructure funds; and would foster the development of transpational

Macedonia in **London Club** debt deal

By Kevin Done and Kerin Hope in Skopje

\$5.6bm.

The London Club of International Banks has reached agreement in principle with Macedonia on repaying its abare of former Yugoslavia's total foreign commercial bank debt of

The deal marks significant progress for the commercial banks' efforts to recover their loans following the breakup of former Yugoslavia in 1991 and its subsequent default. Macedonia has agreed to

take on 5.4 per cent of the principal and 3.65 per cent of the interest on former Yugoslavia's debt arising from the 1988 New Financing Arrangement (NFA), the last debt rescheduling agreed by Belgrade with the banks.

In return it will be released from the onerous joint and several liability clause in the NFA, which made each borrower liable

for the whole debt.

with Slovenia and Croatia and will open the way for Macedonia to gain access to international capital markets for the first time since becoming an independent state in 1991.

Mr Ljube Trpeski, Macedonian deputy prime minister and leader of the debt negotiations, said the country would assume around \$280m in principal and interest. Under the deal agreed in New York, Macedonia is planning to issue bonds in exchange for its share of the debt, and has been granted significant debt servicing concessions by the banks.

The bonds, which are to be listed on the Luxembourg stock exchange, will be paid back over 15 years with an initial four-year grace period. The interest rate will be Libor plus &, but this will be reduced to 3.5 per cent in the first two years and to 3.75 per cent in the subsequent two years.

Mr Trpeski said Macedonia would now seek a rating The agreement follows from the International credit deals reached by the banks rating agencies.

Denmark opens railway to competition

By Hillery Barnes in Copenhagen

The Danish government yesterday announced plans to reorganise the heavily subsidised state monopoly railway system and to open the railways to competition from Danish and foreign operators for both passenger and freight.

new state agency will become responsible for the track and will put maintenance out to tender.

The inter-city rail routes and Copenhagen commuter rail service companies owned by DSB and operating on commercial terms.

Mr Jan Trojborg, the transport DSB, the state railway agency, is minister, said yesterday that the two to be dismantled from January 1. A companies would not be privatised.

Market financing of the two rail road/rail fixed link across the Ore-service companies will enable DSB sund, the straits separating Sweden to bring forward a DKr8bn (\$1.35bn) investment in 112 new trains for the Copenhagen commuter service - the run by DSB will become joint stock first trains have already been delivered by Germany's Adtranz.

SJ, the Swedish state railway service company, is expected to become the first foreign railway to operate on Danish track when the DKr15bn

sund, the straits separating Sweden from Denmark, is opened in 2000. SJ will be able to operate its own trains to the ferries between the southern Danish island of Lolland and Germany and to run trains on the Great Belt bridge-and-tunnel, road/rail link under construction between Silland and the Jutland

Concern over arms delivery to Bosnia

By Laura Silber in Sarsievo and Bruce Clark in London

The biggest shipment so far of US arms to Bosnia arrived yesterday as Washington's effort to force a merger between the Moslem-led Bosnian army and Bosnian Croat forces moved into high

Mr James Pardew, the US envoy in charge of the Mil SCARS (January 13) I gramme, said the shipment would "create a military bal-. .- ance in order to secure a

lasting peace in the region". Yesterday's \$100m shipment - which included 45 battle tanks, 79 armoured personnel carriers, 45,100 M-16 and 800 M-60 machine guns together with ammunition and communications gear - arrived at the port of

> But the \$400m US-led programme has sparked controversy in Europe, where senior diplomats stress that arms reduction would be a better route to stability.

Germany's Ambassador Michael Steiner, a senior envoy to Bosnia, said yester day. "The 'equip and train' programme arouses suspicions on the Serb side that the international community is one-sided and helps the other side get stronger.

"But we must balance this with the fact that the Bosnian Serbs have a huge military advantage and are not moving on reduction." The shipment arrived

amid growing signs of confusion, and US-European tension, over the numbers and role of a military force in or around Bosnia next year. Mr Carl Bildt, the international mediator, has insisted that the main function of a



follow-on force must be to prevent renewed war.

In an oblique criticism of the "equip-and-train" programme, he is understood to have insisted during a visit to Nato this week, "Deterrence cannot be achieved by adjusting the internal balance of power." He has said peacekeeping troops, include some Americans, must stay in Bosnia.

A large body of US opinion, especially on the political right, has questioned whether any western ground troops would be needed if the Bosnian government were properly equipped to wage war against the Serbs.

Bosnian officials have said they reserve the right to go back to war if the Serb side refuses to fulfil its part of the Dayton agreement by allowing refugees to return.

A likely flashpoint for any return to war is the area round the town of Brcko, in the corridor linking Serbheld northern Bosnia with

If the Serbs lose control of Brcko, their possession of the stronghold of Banja Luka could also be threat-

For a partially functional intranet, may we suggest the competition?

Kwasniewski in Nato assurance

By Bruce Clark, Iomatic Correspondent

joins Nato.

President . Alexander wasniewski of Poland, in an assurance to Russia and Ukraine, said yesterday his country saw no reason why nuclear weapons should be deployed on its soil when it

Mr Kwasniewski, who is visiting Britain to drive bome Poland's keenness for early membership of the European Union and Nato, also urged the Atlantic alliance to draw up a charter to overn its relations with Ukraine, similar to the one which Russia has been

In a speech to the Royal Institute of International Affairs, the Polish leader insisted that his country's prospective membership of Nato would enhance rather than threaten the stability of

neighbouring countries. On tactical nuclear warheads, whose possible deployment eastwards would cause grave concern in Kiev an expanded Nato.

and Moscow, he said: "We perceive no security requirement for stationing nuclear weapons on Polish terri-

The Polish president added that it was "unnecessary and misleading" to raise the subject of nuclear weapons in the context of his country's application to join Nato.

His words fell slightly short of a pledge not to accept the deployment of nuclear weapons in any circumstances. As a member of Nato, Poland would have to accept the alliance's military doctrine which foresees tactical role for US and UK nuclear weapons in certain extreme circumstances

Mr Kwasniewski said that Nato enlargement could have "serious consequences unless it was accompanied by measures to strengthen the security of Ukraine. This was an apparent reference to Russia's threats to assemble the former Soviet republics, and possibly other countries. in a new alliance to counter Your Novell network was purposely designed with an open architecture - just right for an upgrade to a fully functional intranet. So today, Novell brings you a complete intranet solution starting with IntranetWare" for open access, ManageWise" for efficient management, and GroupWise" for communication. While others talk about intranets, with us you're intranet-ready with all the familiarity of your current network: file, print, directory, security, management, and messaging. To get where you want to be, you don't have to start over. Your Novell network will expand with you. Contact your Novell office for more information or call +44-171-242 43 42.

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Divided Israelis remember Rabin

By Judy Dempsey in Jerusalem

When Mr Yitzhak Rabin was assassinated almost a year ago there was more than an outpouring of grief.

society. Left and right put should be surrendered. aside their differences as Israel tried to come to terms ried out by a Jew, and one which called into question the future of a permanent peace settlement with the Palestinians.

That unity proved ephemeral. The Israel that yesterday commemorated his death has become polarised. Since the narrow election last May of Mr Benjamin Netanyahu as prime minis-

become locked in a bitter struggle between advocates of a secular, liberal state willing to trade peace and prosperity for land, and an Orthodox tendency which believes that none of the ahmi, head of Betar, said the His death united Israeli land held by the Israeli state

These divisions were encapsulated yesterday by he said, degraded Israeli solwith an assassination car- the country's left and rightwing youth movements.

Betar, the right-wing youth group, said it would not sing, at a memorial planned for Sunday, the "Song of Peace", the lyrics Mr Rabin sang at the peace rally in Tel Aviv just before his assassination. Mr Yair Klinger, the musical director of the liberal Tel Aviv

tion. But Betar said it was too closely identified with the left, particularly since it was used as labour's campaign song in the elections. Moreover, Mr Eldad Halsong contained anti-religious lyrics and words, such as "let go of the fallen," which, diers who had died.

But the dispute over the

"Song of Peace" also represents a deep rift in the society. Since it was a Jew who killed Mr Rabin, each side has tried to blame the other for his assassination which was so inextricably tied to the peace debate. The left has blamed the

rabble-rousing anti-peace Scouts Group, said the song movement on the right who, before the elections, often future of the peace process.



Rabin's widow Leah, left, with her son Yuval and daughter Dalia Ben-Artzi Filosof at the memorial ceremony

burned Mr Rabin's effigy, for fomenting hatred. The right has blamed the left for adopting the moral high

accompanied with an increasing number of death threats against leading poliground by suggesting the ticians. Left wingers, including Mr Shimon Peres, the right must take responsibility for his death - and the Labour leader and Mrs Dalia Itzik, a labour peace cam-

while Mr Netanyahu has banks, in the streets and in received letters branding offices. "Yitzhak Rabin did him a traitor if he redeploys Israeli troops from Hebron. Mr Amoz Oz, the writer,

yesterday attempted to transcend the discord and hatred

The verbal assaults are paigner, branded as Nazis, now heard in restaurants, in not fall in the battle for peace," he wrote in Yediot Aharonot, a popular daily newspaper. "He died in the battle for our identity."

By Michael Littlejohns United Nations Correspondent, in New York A substantial transfer of

US cash

eases

funds by the US over the last few weeks has helped to relieve the United Nations' cash crisis, reducing the total owed by member states to a "mere" \$2.5bn

But Mr Joseph Connor, the chief financial officer, still must juggle accounts to keep the organisation affoat. Since July he has been

raiding the UN peacekeeping treasury just to meet day-to-day UN running costs. Although the US has agreed to pay all \$313m of its regular budget dues for 1996, the UN is having to wait until the end of December for two-thirds of it and another month for the remainder, he told the UN financial committee.

Thus, the world body would end the year \$103m in the red - better than the \$243m Mr Connor previously predicted But that will esca-late almost immediately by more than \$1bn, when 1997 assessments fall due in Janu-

Including money owed to the peacekeeping acccount. to reimburse 90 states that have provided troops and equipment, the US will still be in arrears at year end by more than \$1.3bn, despite recent late payments to the account of more than \$195m.

The Republican-led US Congress irked western countries that pay their UN contributions in full and on time by cuiting unflaterally the American share of peacekeeping costs, by imposing strict conditions for payment. These included a demand that UN staff be trimmed by 10 per cent, a virtual no growth regular budget and cuts of \$100m for trade and economic programmes, conference services and press relations.

Mr Connor claims to have saved \$600m through staff cuts and programme reduc-

Kazakhstan's sale of the century

It may have been corrupt and chaotic, but it was sell or die for state industry

oing once, gone, as T the Kazakhs say. Kazakhstan has sold off 30 of its largest state enterprises in the past year, including prime oil producers and metal smelters, coal mines and power plants, sectors that took European governments years to sell - if they dared touch them at all. Another handful of big oil and gas companies, two are sold to private compamines, and a dozen other nies with deep pockets, they enterprises are to go under the hammer in the next few ries paid, production

"This is not a government afraid of major steps," said Mr Michael Wilson, resident partner of Baker & McKenzie, the law firm. "Business can be done, if at

times at frightening speed." Speed differentiates Kazakhstan's privatisation more than anything. One company asked a consultancy to submit a proposal for a three week legal and commercial investigation for a bid. Two days later the consultancy found out that the company had already won the bid.

prises, such as the rundown network of power plants that has left Kazakhstan's 17m people in the cold and dark in recent power failures.

'Our energy sector is in deep trouble," said Mr Yusif Duberman, deputy chairman of Kazakhstan's privatisation committee. "When they revive. People get their salarevives.

The sales have been marked as much by speed as by scandal. Some very large and viable enterprises have been sold off quietly for as little as \$20m, giving rise to accusations that additional sums passed bands under the table. Some deals have come undone as quickly as they have been made, and even transparent tenders have fallen victim to a political tug-of-war, leaving investors frustrated and suspi-

"In the end it's probably a

along. But progress is greased by bribes, chaos and threats of violence."

A majority stake in Kaz-Khrom, a conglomerate of two large ferro-alloy smelters and a chrome mine, sold for as little as \$36.8m last year in a closed tender without serious competitive bids. Its new owner, Eurasiabank, told shareholders that Kaz-Khrom made a profit of \$143.5m that same year. Eurasiabank, funded by Trans-World, the Londonbased metal trader, also bought majority stakes in an alumina plant for \$20m, and

in an iron ore mine for \$46m.
"That's filthily cheap," said Mr Don Nicholson, a government adviser for Deloitte & Touche, the accountants. "It does not smell right."

"We don't put great value on the sum that ends up in the budget, but on the investments into the enterprise," Mr Duberman said. "We left ourselves vulnera-

we don't sell the enterprises cheaply they will go to waste and that means they are completely worthless."

urasiabank pledged to invest \$398m in Kaz-Khrom, but privatisation experts object that no audit firm has been hired to keep track of investments. "What independent body will verify whether the money pledged is actually invested?" Mr Nicholson

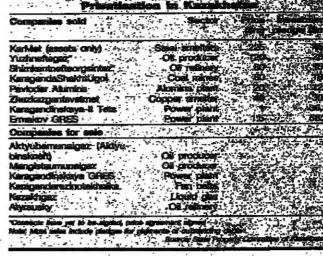
"Shedding more light on things like this," Mr Nicholson added, "would be in their best interest. Every foreign investor is asking the same questions."

One thing the Kazakhs have learnt is that open, transparent tenders attract higher bids than sales behind closed doors. A highly public sale of the Yuzhneftegaz oil production association to Hurricane Hydrocarbons of Canada netted \$120m, plus \$280m in The sales have provided a plus," one western lawyer in ble to accusations of selling investments that will be

life-saving injection of cash Almaty, the capital, said. the nation's wealth for monitored by independent into many comatose enter- "Privatisation is lurching pennies," he added. "But if auditors. Exxon and Texaco, the US oil companies, are expected to bid even more for the Atkyubemunaigaz association when bids are

due on November 1. Power struggles within the government put even these deals at risk, however. When Samson International, a US oil producer, won a tender for Yuzhneftegaz, the ministry for oil and gas, which opposed the sale, insisted that existing Yuzhneftegaz joint ventures which were pumping at the northern half of the field be excluded from the sale. Samson walked out; Hurricane is still negotiating with the venture partners.

At times, officials took months to negotiate a contract after they had selected a winning bidder. "A bid is not the last and final offer here," said Mr Don Templin, resident partner for Price Waterhouse. "The advisers were asked to clarify the bid - try to get better terms. I don't know whether that's worse or better, but it's dif-



ferent from what the western companies had expec-

Privatisation experts in Almaty say that officials have become less frantic, more organised and more

realistic in recent tenders. "I don't think they ever really understood the concept of due diligence. We've had a hard time teaching them that a share purchase agreement is more than four pages long," one consultant said. "They now understand that once they sell a company they sell the whole

only one serious bid. They could have got bet-

- and they understand they

no longer have control over

The biggest drawback for

Kazakhstan has been the

lukewarm interest among

foreign investors. Even some

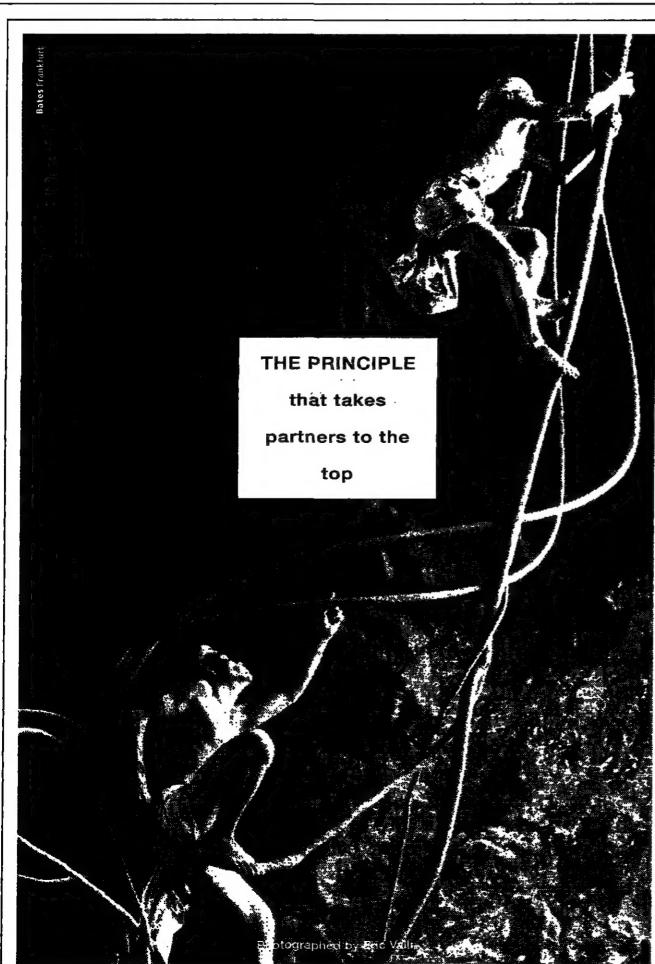
open tenders, such as for the

Shimkent refinery, drew

what goes on there."

ter bids," one western lawyer insisted, "by making the process more defined, by adhering to the few rules that exist."

Sander Thoenes



Those who cooperate with DG BANK overcome

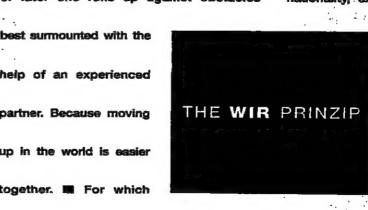
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mum profit at minimum risk. What's called the central idea of partnership: mutual

cooperation leads to mutual success

DG BANK



eases Perot will at unot drop out of race

ELWEY 1 KILTHAN OCTORY



US. ELECTIONS November 5

Perot yes-terday disbns briew' inconsequential" an overture Mr Bob Dole's campaign asking him to drop out of the presidential race and endorse

the Republican candidate He refused to reveal the details of his Wednesday night conversation with Mr Scott Reed, Mr Dole's senior paign to the bitter end. We have to stay the course. Let's grow up between now and November and focus on

Mr Dole himself flatly refused to comment yesterday on the initiative, but, leaving his Florida hotel, admitted he was "frustrated" that he appeared unable to cut into President Bill Clinton's double digit lead in the

opinion polls.

But the initiative took even the chairman of the Republican committee by surprise and was widely seen by friend and foe as an act of desperation by the Republican candidate.

Sec. 26.

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© BANK overcome

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TO SAME and

THE RESEC

Mr Perot, standard bearer of his own Reform party, is pulling only 5-7 points in the polls, well below the 19 per cent of the popular vote he won as an independent in 1992. But he insisted yesteraccording to its conscience, he would do far better. "Don't throw away your vote in '96," he pleaded. "Vote for the only group that can able advantage make these [necessary]

changes. The two main parties can't make these changes."

But he also criticised Mr Dole for accepting donations from the Fanjul family of Florida, wealthy sugar merchants, and said it was apparent both parties were in hock to special interests.

could hardly contain its glee over Mr Dole's approach to Mr Perot and did not expect it would be accepted. It was, officials pointed out, at Mr Dole's insistence that Mr Perot was excluded from the two presidential debates out of fear that he would siphon support away from the Republican contender.

Mr Haley Barbour, the talk to Mr Perot.

In a speech prior to answering questions. Mr Perot launched a scathing attack on Mr Clinton's ethics and competence in government. He sounded more like a Republican in condemning White House invitations to drug dealers and the Democratic party's acceptance of campaign contributions from Indonesian and South Korean conglomerates.

The Clinton campaign

party chairman, who knew nothing about the overture, could only repeat yesterday: "One thing is clear; a vote for Perot is a vote for Clinton." Even senior campaign aides travelling with Mr Dole were unaware that Mr Reed had flown to Dallas to

Most polls suggest that Reform party members have no clear preference for Mr Dole over Mr Clinton. But Mr Perot might help Mr Dole in his native Texas, where the race remains uncomfortday that if the country voted ably close for the Republican candidate, as well as some western states, where he ran well in 1992 but where the president now enjoys size-Observer, Page 15

AMERICAN NEWS DIGEST

Falkland oil licences due

The Falkland Islands government will award on Monday the first licences to drill for oil in the waters around the islands, disputed between Britain and Argentina. Bidding is understood to have been concentrated heavily in the zone to the north of the islands, where 12 of the 19 blocks on offer are sited. The other seven are to the south and

southeast.
Six international consortia, comprising 14 companies, made bids, including a joint venture between the Argentine oil company YPF and British Gas, with YPF as the junior partner. The government hopes exploration can

begin early next year. The technical merits of the bids have been scrutinised by the British Geological Survey in Edinburgh, which is advising the Falklands government. The UK and Argentina reached an agreement on oil exploration in Stephen Fidler, London

Argentine accusations fly

The open warfare that has erupted between Mr Domingo Cavallo, Argentina's former economy minister, and the country's government intensified yesterday when Mr Alberto Kohan, secretary general to the presidency, said

Mr Cavallo's attitude "came close to treason". Mr Kohan told Clarin newspaper that Mr Cavallo had lied when he testified before a judge earlier this week that Mr Kohan had known that bribes were paid to secure a \$249m computer contract for IBM by state-owned Banco Nación, Mr Juan Carlos Cattáneo, Mr Kohan's assistant, was in April indicted on charges of defrauding the state in the IBM-Banco Nacion affair.

Mr Kohan also denied Mr Cavallo's testimony that the two men had held a meeting with President Carlos Menem to discuss the IBM case. Mr Menem has also David Pilling, Buenos Aires rejected the claim.

Unions target Toronto

Canadian trade unions have called a "day of action" today in Toronto, the country's largest city, in protest at spending cuts and the pro-business policies of Ontario's conservative government.

Providers of some essential services, including public transport, have applied for court injunctions requiring employees to show up for work. However, union membe have refused to cross picket lines, and widespread disruption is expected, including at the city's

international airport. The provincial government has shed thousands of civil service jobs as part of its drive to balance the budget by 2001. It has also cut welfare payments by 23 per cent. strengthened employers' legal rights, eased environmental restrictions and begun a sweeping Bernard Simon, Toronto

Peru strongman seen in public

privatisation programme.

Mr Vladimiro Montesinos, Peru's shadowy strongman, has emerged to attend briefings in Lima's government palace during this week's visit to Peru by US drugs policy

chief General Barry McCaffrey.

Mr Montesinos, the effective head of Peru's national intelligence service, has been accused by a drugs baron known as "El Vaticano" of having taken kickbacks from Peru's illegal cocaine trade.

Since the allegations, which were subsequently withdrawn, he has been under intense media pressure to make his first public appearance in some six years. Although declining President Alberto Fujimori's suggestion that he give a television interview. Mr Montesinos seems to have achieved total rehabilitation. Gen McCaffrey reportedly shook his hand warmly and praised him as an "outstanding and knowledgeable

Drugs tide rises around the Caribbean

countries on the problem of

drug interdiction and drug

Island states are split over how to tackle what they see as a US problem, writes Canute James

he increasing use of Trinidad and Tobago by drug traffickers to ship narcotics from South to North America is causing mounting worry in the islands. The concern has reached such a pitch in the government that Mr Basdeo Panday, the prime minister, has invited the US Drug Enforcement Agency to open an office in Trinidad.

About 40 per cent, or 200,000kg a year, of the cocaine smuggled into the US now passes through the islands of the Caribbean, twice as much as five years ago, according to US governnent estimates.

However, the region is divided over controversial US proposals for fighting smugglers. While some countries have agreed to allow US law enforcement agencies to use their territorial waters and air space to oursue suspected smugglers, others remain uneasy.

"Ship rider" or "hot pursuit" agreements allow US agents and vessels to operate in the territorial waters and sirspace of other countries, if a local official (the "ship rider") is present. US aircraft are allowed into the country's airspace and to force suspicious aircraft to land.

Several nations have signed the agreements, saying they cannot fight traf-fickers without foreign help. Others have balked, claiming they are concerned about the violation of their sovereignty, and about legal prob lems with foreign law enforcement agents operating within their jurisdiction.

Small countries like ours do not have the resources to fight the cartels, and their financial strength is greater than that of our national economies," said Mr Denzil Douglas, prime minister of St Kitts-Nevis. His government has signed a ship rider agreement. "We are pawns in this game as we are situated between the suppliers

and the consumers." Caribbean leaders bave frequently complained that the problem is theirs only because of geography, and that it is the US which should be providing the region with the means to

combat the problem. "The US has not given us the resources to fight the traffickers, but has been expecting us to spend money to do this," said Mr Lester Bird, prime minister of Antigua-Barbuda, which has also signed the agreement.

The Caribbean: ads for narcotics ATLANTIC OCEAN

Smugglers use the islands increasingly to transship narcotics bound for the US

US which says that if we do legislation. "Jamaica is prenot sign, we are not being co-operative." Other counpared to co-operate with all tries which have signed are the Bahamas, Dominica, the Dominican Republic, Grenada, St Lucia, St Vincent and Trinidad and Tobago. Those which have rejected

trafficking, but in respect of our territorial space our sovereignty has to be maintained," said Mr Percival Patterson, the prime minister. "This is a matter that the proposals claim they are

Jamaican security forces." Barbados has similar concerns. Said Mr Owen Arthur, the prime minister: "There are still matters of an entirely legal character that have not yet been resolved in our minds to put us in a condition to feel comfortable about signing the agreement. There is more to fighting drug trafficking than the

ship rider agreement." Such differences have not prevented Jamaica and Barbados from reaching agreements with the US for co-operation between their law enforcement agencies in fighting smugglers, particularly outside their 12-mile maritime zone.

Evidence is growing that although the narcotics which come into the islands are meant mainly for transshipment, increasing quantities are being used locally and with damaging effect in the region, leading to higher levels of violent crime.

Eight out of every 10 crimes committed in Trinidad and Tobago are related to narcotics, said Mr Panday, Situated just off the South American coast, Trinidad first stop for traffickers, and an estimated 1.000kg of

every month, he said. Two years ago St Kitts-Nevis, with a population of 45,000 people, was shaken by the disappearance of a for mer diplomat, who was a representative of banks being investigated for money laundering, and by several drug-related murders.

in Mr Panday's view, argu ing national sovereignty as basis for rejecting the ship rider agreement is not the best approach. "We must revisit this concept of sovereignty in the modern world to fight the drug cartels. We must move away from a 19th century concept of sover-eignty before we lose our sovereignty to the cartels."

For Sir James Mitchell, prime minister of St Vincent the ship rider agreements offer a solution in more ways than one. He said the US, and not his government was now responsible for fighting the smugglers.

"I want to be able to blame the US for what is happening because they say we are not doing enough," he said "If any drugs are passing through our country and going into the US, then the US agencies have the authority by sky and sea to deal with it. The ball is in their

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PHLIPS

Malaysia deficit likely to shrink

By James Kynge in Kuala Lumpur

The Malaysian government announces its 1997 budget today and economists are predicting the country's worrying current account deficit will shrink significantly this year, thereby dispelling one of the main concerns of stock market investors.

Several economists at think tanks and brokerage houses predicted last night that the budget would not be expansionary and was likely to be either neutral or slightly deflationary.

Its aim, they said, would be to keep the economy expanding at above 8 per cent in 1997 but keep inflation in check. Growth this year is officially forecast at

An influential think tank revised downward its forecast for the shortfall in the current account, which measures the flow of goods, services and short-term capital. The Malaysian Institute of

in Bengkok

Thai voters still have more

than three weeks to decide

who they want to become

their next prime minister. But the stock market,

courted heavily this week by

leading candidates, has

already decided it does not

like Gen Chavalit Yongchai-

yudh, leader of the New

Aspiration party and a

front-runner for the premier-

Yesterday Gen Chavalit

attempted to counter criti-

cism that he lacked a coher-

ent plan to restore confi-

dence in Thailand's battered

financial markets by speak-

ing to a small group of for-

eign fund managers via a

He said interest rates were

too high but noted they were

set by the market and, as

prime minister, he could not lower them. He stressed the

country was in need of sta-

ble administration but

offered little hope that he

could keep a fractious coali-

outside technocrats to key

economic ministries but was

unable to come up with

names for specific positions.

three hours and I still don't

know what he's going to do,"

said one fund manager. How-

ever, Gen Chavalit did dis-

tinguish himself from Mr

Banharn Silpa-archa, the

lame-duck prime minister. by appearing well-versed in

"The basic problem is he

doesn't have a team clearly

thinking out what they want

to do and how they might do

basic economic concepts.

"I just heard him talk for

And he pledged to appoint

tion government united.

did not appear to work.

satellite video conference. It . and I still don't

to impress

said the deficit for this year would be M\$15.27bn (\$6.1bn). a sharp downward revision from the M\$19.2bn it forecast earlier this year.

The deficit last year was M\$17.8bn, or 8.8 per cent of gross national product. The overwhelming concern of foreign investors this year has been whether the deficit would swell out of control. The task of judging this has not been easy because Malaysia rarely releases figures on its trade in services, where it traditionally incurs the heaviest deficit.

Improvement in the services balance is expected to be slow, but a significantly more favourable merchandise trade picture is expected to alleviate current account

"The positive trend of a falling current account deficit as a percentage of gross national product is definitely there." Mr Stephen Weller. director of Pesaka Jardine

This view contrasted sharply with the impression

left by Mr Tarrin Nimmana-

haeminda and Mr Supachai

Panitchpakdi, Democrat

party economic heavy-

weights, who addressed a

campaign rally earlier in the

week at the headquarters of

the stock exchange.

for three hours

know what he's

that the Democrats would

focus on restoring the inde-

pendence of capital market

regulators, who, over the

past year, have been subject

to political interference by

This move would help

restore confidence in eco-

nomic management and aug-

ment the flow of foreign

funds to Thailand, Mr Tarrin

said, with the resulting

liquidity helping to push

foreign brokers that a Demo-

crat government would offer

some short-term remedial

measures to boost Thailand's

flagging export performance

while focusing on the devel-

opment of a long-term indus-

trial policy and capital mar-

Mr Supachai pledged to

down interest rates.

ket liberalisation.

the Banharn government.

Economic Research (MIER) said. "Our forecast for 1997 is that it will be under the magic 5 per cent'

> Dr Mahathir Mohamad the prime minister, has said the reduction of non-essential imports is to be the main thrust of the budget today. Officials said he was referring to manufacturing components which are currently imported but capable of being replaced by locally made products.

For foreign corporate investors, one issue of intense interest is whether Mr Anwar Ibrahim, the deputy prime minister and finance minister, will announce a widely expected 2 per cent cut in corporate tax from 30 per cent now. Officials said Mr Anwar was expected to unveil

incentives to companies trying to climb the technology ladder, in line with the nation's economic masterplan to seek growth over the next five years mainly by capital investment and pro-

Chavalit fails Australia television 'pacts' Thai traders under fire

The Australian Consumer and Competition Commission watchdog yesterday began legal proceedings against Mr Kerry Packer's Nine Network and Seven Network, run by Mr Kerry Stokes, the Perth-based busi-

Also targeted was Golden West Network, the West The two, tipped to recover their former posts of finance Australian regional broadminister and deputy prime caster owned by Mr Stokes. minister for international following an unsuccessful effort to sell GWN to Seven economic affairs respectively, told a cheering crowd earlier this year. The comof stock market officials and mission is concerned about how far competition may be brokerage house employees restricted in the Darwin television market and West-'I heard him talk

ern Australia. The watchdog alleges agreements between GWN, Seven, Nine, and various subsidiaries in the past year, the first an exclusive 15-year programming sup ply arrangement, allegedly set up between Nine and

GWN in October last year. The second was another alleged programme supply agreement between Territory Television, a Darwinbased subsidiary of Nine Network, and Amalgamated Television, a Seven offshoot.

The commission claims Nine and Seven came to an understanding Nine would not pursue any further commercial television licences for regional Western Australia, while Seven would withdraw its expression of interest for the second commercial television licence in the Darwin area.

"Pecuniary penalties" and injunctions are being sought against the parties involved, and declarations that the agreements contravene the Trade Practices Act.

lying between cities in Japan is often a crowded, uncomfortable and costly affair. For decades, air travellers have had a limited choice of airlines and rates have been fixed by stringent regulations. A lack of airport space, tough environmental and safety rules and a regu-

lation-happy bureaucracy have frustrated hopes of increasing capacity on the busiest routes. But the emergence of two prospective entrants into the Japanese domestic airline market last week, coupled with recent deregulation.

have raised hopes that con-

sumers may at last reap the benefits of competition. On October 14 Mr Hideo Sawada, president of HIS, the largest discount travel agent in Japan, announced plans to set up an airline to serve the Tokyo-Sapporo route and slash by as much as a half the rates charged by the large domestic carriers, All Nippon Airways, Japan Airlines and Japan

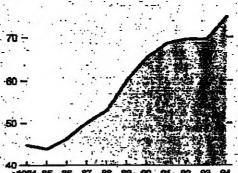
This was quickly followed by an announcement that a consortium of small companies based in Hokkaido also planned to operate a cutprice air service on the same

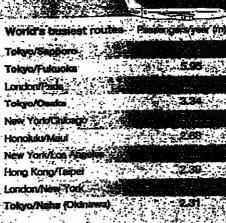
Air System.

If the plans go ahead, the airlines would be the first established in Japan in more than 40 years.

The new entrants, particu-larly Mr Sawada, have fuelled expectations that change is afoot in the industry. HIS is well known for pioneering discount international travel and Mr Sawada has long portrayed himself as a champion of consumer

Japan's air traffic soars Domestic autines milions of passengers





"When we started this business, international air lid on the number of airlines fares were very high. We took up the challenge and now international air fares have come down tremendously," he said. But while Japanese travellers have seen the benefits of competition in international travel, domestic air fares have remained high.

For example, a regular round trip ticket from Tokyo to the southern city of Fukuoka 900km away costs about Y53,000 (\$469). For not much more it is possible to buy a discounted ticket from Tokyo to Los Angeles. "I think it is possible to reduce fares, and so we

decided to take up the challenge. Somebody has to, or else nothing will change," Mr Sawada said. Much of the blame for domestic high costs has been

pinned on strict regulations. which have curbed competition and kept costs punishingly high. The ministry of transport, whose apparent role has

been to give out permits and

late policy, has kept a tight operating in the domestic market. Only routes which have annual passenger traffic exceeding 400,000 can be served by two airlines and only those with more than 700,000 passengers can have

Newcomers reach for Japan's skies

irport fees are among the highest in the world and Japanese airlines complain that in return for slots on lucrative routes they are forced to take on unprofitable routes with low passenger traffic.

The airlines' high costs have also made them increasingly uncompetitive in international markets, forcing them to turn to the domestic market to raise

Critics claim that Japanese airlines must do more to reduce costs, and even the ministry warns that the airlines' very survival is at risk. The world is moving towards open skies and Japan cannot remain isolated from that trend," Mr Sawada pointed out. "Japanese airlines must prepare for the time when foreign airlines enter the domestic market," by stimulating

greater competition. Against this background. and amid a national drive to deregulate domestic markets and revitalise the Japanese economy, the transport ministry has signalled its readiness to ease rules governing airlines. This year it adopted a system allowing airlines to set their own rates within a per cent band.

late the market have been too limited to have any real impact on competition. Indeed, rather than encourage price competition, the new system led to an overall increase in fares. Since the airlines had little incentive to lower prices in a market where capacity is highly regulated, they raised them

It is hoped the new entrants can provide the kind of cut-throat competition needed to shake things up in the industry. Both Mr Sawada and Mr

Michiyo Nakamoto reports on a domestic challenge to the big airlines ing the Hokkaido consortium, are planning to apply for new landing slots which will become available at Haneda, which serves Tokyo. They believe foreign crews, contracting out maintenance and making better use of information technology are all ways to cut costs. the still substantial bureau-

It is a fair bet that despite cratic red tape and the high costs they must bear, at least one of the companies will start flights within the next two years.

Publicly, the main airlines and authorities express support for the new entrants.

The question, however, is whether the trend will become widespread enough to change the entire nature of Japan's domestic airline industry.

The smaller airlines would have difficulty surviving if the big carriers met them with lower prices, particularly if the newcomers incurred their wrath by expanding into other routes In the US, for example, People's Express had initial suc-cess as a cut-price airline But so far the ministry's serving the busy Los cautious attempts to deregu. Angeles-San Francisco route, but because it lacked a network it did not survive long in the face of a fare reduction by United Airlines.

Analysts believe that, for the newcomers to become a true force in the market, the ministry needs to ease rules further, increase capacity significantly along the busier routes and provide more slots to enable them to build a network.

Without such support competition on the Tokyo-Sapporo route is likely to main an isolated develop-

Corruption crackdown hits privileged families

Life gets harder for China's 'princelings'

By John Ridding in Hong Kong

Times are getting tougher for some of China's "princelings", the privileged sons and daughters of the ruling élite who have acquired wealth through business and political connections.

Last week. Beijin cutors said they had filed corruption charges against Mr Zhou Beifang, former head of the Hong Kong operations of Shougang, one of China's biggest business groups with interests from steel to property.

accepting and offering bribes and of concealing properties. Mainland newspapers have referred to his life of "luxury and rottenness" while in Hong Kong, before his arrest last year. Also involved are two former officials of the Beijing city government. The charges against Mr

Zhou, the son of Mr Zhou Guanwu, former chairman and communist party secretary at Shougang, are among the first to be levelled against a "princeling". They come amid a national clampdown on corruption and a spiritual values campaign championed by President Jiang Zemin.

The crackdown on corruption and a move against conspicuous consumption are not the only problems they face. Power shifts in Beijing mean that family connections can lose their clout second son, Mr Deng Zhi-



Mr Zhou faces charges of Jiang Zemin: champions spiritual values campaign

extended family of Mr Deng Xiaoping, China's ailing paramount leader. Several of his relatives have lost positions in business or the military as the influence of their ultimate patron has waned. In August, Mr Wu Jianchang, a son-in-law of Mr Deng, was replaced as chairman of Zhuhai Shining Metals Group, a metals trading and investment group based in the southern special eco-

nomic zone of Zhuhai. Last weekend, it emerged that Major-General He Ping. another son-in-law, had resigned as director of the armament department in the People's Liberation Army. apparently after failure to secure a desired promotion. In Hong Kong, Mr Deng's

and commercial benefits. fang, resigned this year from One example is the the board of Shougang Concord Grand, part of Shougang's Hong Kong interests which was headed until last year by Mr Zhou Beifang. The loss-making property company said the move was to allow Deng Jr. an associate of Mr Zhou, to spend more time on his mainland interests. "Some family ties don't

work the way they did," one analyst at a Hong Kong bank said. "But your father or brother can still be a big factor in business and there are still plenty of mainlanders making big money in Hong Kong

The sleek Shougang Concord launch moored outside the Aberdeen boat club supports this view. For others at least, if not for Mr Zhou, the

ASIA-PACIFIC NEWS DIGEST

Plea for 'light hand' on HK

China must govern Hong Kong with a light hand if the colony is to thrive after it returns to Chinese control next year, Mr Christopher Patten, governor of the colony, said

He told a conference in Edinburgh that Flong Kong would continue to thrive if it was allowed to pursue broadly the same economic and social policies as it had now, and if it retained its existing political and administrative structure.

A further condition of success was that Hong Kong retained its opposition to "corruption and cronyism". Mr ople of the colony we prepared to stand up for the values "that have made the city great". These included "a distinct reluctance to

Mr Patten said China had every reason to want a successful transition. It would gain "enormous face in, showing Hong Kong can do even better under China than

Car output up in Japan

Japan's car industry output inched ahead by 0.3 per cent in the half-year to September, the first six-monthly rise in six years, providing the latest evidence of a gentle economic recovery.

According to the Japan Automobile Manufacturers' association, the country produced 4.9m vehicles during the period. Output was helped by a last-minute spurt, 7.3 per cent up in September alone, attributed to the launch of a range of sports utility cars and sedans in that month. Other data released yesterday added evidence of a rise

in consumer spending. Sales at supermarkets rose 0.9 per cent in September, the first increase in three months, according to industry figures. Food sales had been hit by a poisoning epidemic during the summer. Department stores, less reliant on food, did better, with a 2.3 per cent rise in sales in September against the same month last William Dawkins, Tokyo

Australian wage rises slow Wage inflation in Australia slowed to 3.5 per cent

year-on-year in August, according to data published resterday, prompting financial markets to speculate that further interest rate cut would be possible before. The 3.5 per cent rise in average weekly earnings

epresented a deceleration from the 3.9 per cent figure posted in the previous quarter, and was lower than the 3.7-3.8 per cent expected by most analysts. The wages data are particularly significant because the Reserve Bank of Australia recently indicated that its main concern in interest rate policy was the level of wage

Central bank warns Bhutto

Pakistan's central bank yesterday warned the government of Ms Benazir Bhutto, prime minister to avoid "slippages" in meeting important economic targets.

The warning, in the bank's annual report, is a sign of its growing independence under its governor. Mr Muhammad Yaqub, a respected former IMF economist. The report was released a day before an IMF mission is due to arrive in Islamabad. It comes at a time when

Pakistan is urging the Fund to revive a \$600m standby loan, which was stalled in June following IMF disapprove of economic policies. Farhan Bokhari, Karachi

India quick to cut rates

Indian banks and financial institutions have moved quickly to cut lending rates following an easing of monetary policy at the weekend. The State Bank of India, the country's largest

commercial bank, said it would cut its benchmark prime lending rate by 1 point to 14.5 per cent from November 1. The three leading development finance institutions

Industrial Development Bank, Industrial Credit and Investment Corp and Shipping Credit and Investment Corp - have also decided to cut their prime rates by 0.5 point to 16.5 per cent immediately. They also reduced the cap on interest rates above the prime rate to 3.5 points Tony Tassell, Bombo

The Financial Times plans to publish a Survey on

World Airports

on Monday, November 25

The world's airports will have to deal with an expected doubling in the number of air travellers over the next 20 years. They will have to do so while ensuring their customers remain safe from terrorist attack and while environmentalists oppose expansion of the bank, which said policy their buildings and runways. This Survey will analyse and assess developments in the industry.

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FT Surveys

NZ central bank hints at monetary easing

By Terry Hall in Wellington The New Zealand dollar and

wholesale interest rates fell sharply yesterday after the Reserve Bank hinted at an asing of monetary policy. The markets were reacting

to a surprise statement from had "become a little firmer than needed for the task of keeping inflation below the target range of 2 per cent". There has been a big

inflow of overseas funds since the indecisive general election on October 12, and the New Zealand dollar has risen to an eight-year high against both the US and Japanese currencies. Investors, mainly from

and the Reserve Bank had been seen as unwilling to days.

relax monetary policy until talks on a coalition government were resolved. Last week the central

bank responded to an unexpectedly low 2.4 per cent inflation figure for the September quarter - which was 0.3 points lower than it and other forecasters had predicted - by saying it saw no grounds for too rapid an easing of policy. However, in its statement

yesterday the Reserve Bank said the "sharp exchange rate appreciation" of recent days had been accompanied by a relatively small drop in interest rates which had led to a marked tightening in overall monetary conditions.

The bank said it could see Europe and Asia, have been no requirement for monetary chasing high interest rates, policy to have firmed as much as it had in recent

keep overall monetary conditions consistent with maintaining price stability, it appears we have to accept rather less interest rate pressure than might be ideal, and rather more exchange rate pressure than might be The announcement saw

"Unfortunately, in order to

the New Zealand dollar fall by one cent against the Australian and US currencies. The 90-day bill rate, which had been above 10 per cent before the election, fell to 9.07 per cent. Ten-year government stock fell during the day from 7.46 to 7.33 per cent.

The stock exchange also rallied strongly. Before the announcement the NZSE top 40 was down nine points, but it closed up 32 points at

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7.97

112

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12.50

Pan's sking future flight path for restructured Airbus Astx. could be the vel yet links between the object. Astx. could be the vel yet links between the links between t Ross Tieman outlines the European consortium's when it becomes a stand-alone company

and the status accorded a national technology champion, European aircraft manufacturer Airbus Industrie has struggled for a decade or more to win public recognition of its success.

The four-nation consortium has supplanted McDonnell Douglas of the US as the world's second largest civil jet-maker, and is now locked in a bruising battle with Boging for the top slot in the world's atriber market.

Subsidies are no longer an issue. The challenge now is to turn Airbus from an alliance of European aerospace companies into a stand-alone business capable of fighting Boeing on equal terms.

Tough negotiations are already under way on how best to achieve this among the partners - Aérospatiale of France and Daimler-Benz of Germany, with 37.9 per cent each, British Aerospace

eprived of both 2 Spain, which has a 4.2 per sector of the airliner market stock market profile cent interest. Inspired by the determination of the French government to retain a place in the aerospace technology race.

> unlike any other. Its stylish Toulouse headquarters is staffed by employees drawn from the partner companies. The aircraft are designed by collab-orating teams, with Aérospa-tiale responsible for the cockpit, British Aerospace

Airbus is now a business

for the wings, and so on. The partners are obliged to bid competitively to build sub-assemblies, yet receive work roughly equal to their equity in the consortium. It is an arrangement fraught with tensions, which has nonetheless achieved a considerable commercial suc-

Since its foundation almost a quarter-century ago, Airbus has launched a range of aircraft that comwith 20 per cent and Casa of pete with Boeing in every

from 125 seats to almost 400. Only Boeing's 747 jumbo remains unchallenged.
Airbus now commands

around 30 per cent of the airliner market outside the old Soviet Union, Boeing has responded with aggressive cost-cutting and new model

But the ability of Airbus to drive down costs and raise finance is inhibited by its structure. The issues have been brought to a head by the increasing importance of the business within the activities of its parents, and by the realisation that Airbus will have to pursue its plans for a super-jumbo to compete with the Boeing 747. This will require new partners, and a lot of money.

After a long review, the partners have agreed to turn Airbus into a single corporate entity by 1999. It is now expected that the parent companies will transfer the plants where they do work

on Airbus aircraft to Airbus Airbus is both more efficient Industrie. But progress is inhibited by arguments over Airbus, and at what price.

The sums at stake are enormous. In the first independent research report Lehman Brothers, the US investment bank, estimated that on the strength of its cash flow, market position and so on, Airbus could be worth \$15bn-\$18bn.

Lehman Brothers believes

than widely acknowledged, and more profitable. Although Airbus has never published its financial results. Lehman estimates that after start-up losses

profitable since 1993. According to Lehman, Airbus is probably already achieving double-digit profit margins, and could already be recording a profit in

totalling \$8bn, it has been

Two factors point to a rapid acceleration of Airbus's profits in the near future. It has a relatively modern range of aircraft. with programmes approaching maturity, in an industry with product life-cycles of 25 years or more. Equally, it

Flying in the future: the outlook

the main manufacturers

airliner demand. These factors will increase the attractions of an even-

will, with Boeing, benefit

that would enable the part-

ners to realise a profit on their investments. But incorporation and flotation could have far wider benefits. In the first place, it would provide the flexibility needed to bring new partners aboard, a matter of growing urgency.

To win orders in Asia, the from the strong recovery in world's fastest-growing aviation market. Airbus needs production links with China. tual stock market listing Its planned super-jumbo, the

A3XX, could be the vehicle. Yet links between the con-sortium partners and the Chinese aviation industry are vested in a regional air-craft venture, Aero Internaprising Aérospatiale, British Aerospace and Alenia of Italy. Airbus would have to establish more formal links with AIR and its partners, in

both Europe and Asia. Airbus also continues to suffer from the ability of the US government to apply greater political leverage in support of its champions in as markets. According to Lehman Brothers, one solution might be to take over McDonnell's civil aircraft business - a deal Boe ing has already tried unsuccessfully to achieve

Whatever the practicalities of a deal with McDonnell, it is clear that Airbus will need a more flexible structure to facilitate partnerships and fund-raising in the future. The carrot of a cash windfall for the founding partners may serve to accelerate the

Boeing results, Page 17

End trade barriers, Apec urged

Asian business leaders yesterday urged their political counterparts in the 18member Asia Pacific Economic Co-operation (Apec) forum to broaden Apec's scope and bring its trade liberalisation programme closer to the "real world".

coser to the "real world".

In a report presented yesterday to President Fidel
Ramos of the Philippines,
chairman of Apec in 1998,
the Apec business advisory
council (Abac) told leaders
to go beyond the goal of reducing tariffs on imports and pledge to eliminate other barriers to trade. Apec put in to practice from Januplans to eliminate all tariffs ary 1997. Some countries on trade by 2010 for develue. oped countries and 2020 for developing members.

business", said Apec should extend its ambitions to include the dismantling of barriers to the free movement of people, goods, services and capital within the free trade group. Political leaders should also tackle less tangible but equally tiresome obstacles to trade within the region.

"Such restrictions continue to impede the conduct of business (in Apec)," it said. "These restrictions go well beyond tartiffs and quotas encompassing a range of) non-transparent and complex customs, immigration and other cross-border proce-

from each country, which includes Mr Gordon Wu. managing director of Hopewell Holdings of Hong Kong and Mr Frank Shrontz, chairman of Boeing - urged leaders to adopt their recommendations at the Apec heads of state meeting in Manila next month. The recommendations include the creation of an Apec business visa lasting five years and covering all Apec coun-

tries on one stamp. The proposal, which would also set up special lanes for businessmen at immigration, calls for such a system to be Philppines - bave already agreed to adopt it then.

Abac, which was established at the Apec leaders meeting in Osaka last year, said the free trade forum should set up a central registry for patents and trademarks to boost the flow of technology within Apec.

Apec, which accounted for

46 per cent of global trade in 1995, should also work towards common professional standards in accountancy, architecture and law, said the report.

Apec comprises the US, Canada, Chile, Mexico, Thailand, Malaysia, Singapore, Brunei, the Philippines, Indonesia, Hong Kong, Chine, Taiwan, South Korea, Japan, Papua New Guinea, Australia and New Zealand.

Mexico enters talks with Mercosur group

By David Pilling in Buenos Aires and Daniel Dombey in

Mexico has opened negotiations to become an associate member of Mercosur, the customs union which groups Brazil, Argentina, Uruguay and Paraguay. An agreement is expected

Mr Jaime Zabludovsky, Mexico's under secretary for international trade negotia-

tions, said the current negotiations to put trade relations on a multilateral basis with the Mercosur countries were a transitional step to negotiating a full free trade

Mexico would join Chile, which became an associate member last June. It would sign free trade agreements, but would not have to comply with Mercosur's external tariff regime. Mexico would be unable to do that, because

of its membership of the North American Free Trade Agreement. The other Nafta members are Canada and a disadvantage." the US.

Mr Zabludovsky said: "At the moment we have a set of bilateral agreements. We have to change those agreements to recognise that with Mercosur we are dealing with a customs union and that we should not have four separate bilateral agree-

fledged agreement in the future, our exports will be at

An agreement would provide a bridge between the continent's two most important trade blocs by far, Nafta and Mercosur. It would also mark a tentative sten towards the idea of hemispheric free trade from Alaska to Tierra del Fuego, a goal set in December 1994 at the so-called Summit of the

Deepening meant reaching Americas in Miami. Mr Guido Di Tella, Argenagreement within the four core Mercosur countries on ting's foreign minister, acknowledged the dangers of matters such as standardisadvancing too fast with the

ing labour legislation and expansion of Mercosur, free trade in services. In particular, he said, which was only formally Argentina wished to push established as a customs for an open-skies agreement union in January last year. However, this could not to 'We are very aware that, when we consider geographicome into effect until the cal expansion, we run the turn of the century when a risk of dilution," he said. monopoly granted to Aerolineas Argentinas, the priva-"That is why we have to tised state carrier, expired. deepen at the same time."

Argentina and US take their troubles

The US and Argentina are preparing to file complaints against each other before the World Trade Organisation, claiming unfair trade restrictions or products ranging from beef to sports shoes.

The US complaint centres on textiles and footwear, on which Argentina last year placed so-called specific import duties of up to 125 per cent.

Argentina's action, which Washington claims violates maximum tariffs agreed in the Uruguay round, is aimed at curbing cheap Asian imports, but officials say it is also harming US

Washington says that Argentina promised to lower these tariffs a year ago, but reneged on the agreement and is actually now proposing a three-year

"We have a trade dispute with Argentina which we can't handle bilaterally, so we need to go to a multilateral organisation like the WTO for arbitration," said a US

Aires Buenos threatening to file counter complaints before the WTO on what it regards as unfair US restrictions on the import of Argentine beef, seamless steel tubing and

peanut butter. The US, which because of health concerns did not import Argentine beef for decades, recently agreed to import a 20,000-tonne quota following the successful eradication of foot-and-mouth disease in Argentina. Buenos Aires claims the US is stalling on making good

Argentina also alleges that Washington is unfairly applying quotas to Argentine peanut butter and is using what it regards as dumping apprious allegations to block imports of seamless steel tubing. US diplomats accuse

Argentines of "getting out their laundry list and saying: 'All right, if that's your attitude, we're going to take you to the WTO too'." "We are talking with the reaching that stage [the WTO]," said Mr Guido Di Tella, Argentina's foreign minister.

But neither side was optimistic that bilateral negotiations would be enough to resolve the



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ing of your investment aims. So while a "Gloire de Ducher" or an "Ida Elizabeth" elicit an amateur's admiration from us, we can cast an expert eye on a blue chip and subject it to a thorny process of analysis before including it in your portfolio. With UBS, thing that sets us apart most of all is our emphasis on long-term per- you can leave the hard work to us and watch your portfolio blossom.



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Spain pressed on telecoms

By Emma Tucker in Brussels

The European Commission is pressing Spain to speed liberalisation of its telecoms sector, in order to give renewed impetus to talks within the World Trade Organisation on global telecoms liberalisation.

Brussels believes the move could galvanise Asian countries into improving their offer for telecoms liberalisa-Under a previously negoti-

ated deal, Spain was allowed to delay the opening of its telecoms market by five years beyond the January 1 1998 deadline agreed for most EU countries. But in recent weeks Mr Rafael Aria Solgado, the Spanish telecommunications minister, has signalled a readiness to abandon the delay.

Talks aimed at prising open world telecoms markets broke down last summer mainly because the US did not feel the offers from Asian countries were adequate. The US said this was partly because the European offers did not go far enough. It specifically mentioned

What we want to try to do now is get the US and the Europeans to simultaneously improve their offer on a totally conditional basis in order to galvanise the said a Commission

Spain is not the only coun-



Van Miert; issued threat to

try in the EU with a let-out on telecoms liberalisation. However, the EU is thought to have picked on Spain partly because of the size of its market, partly because it is the most likely to give way on the five-year let-out, and partly because of a related competition deal that is under scrutiny by Brus-

Mr Karel Van Miert, the competition commissioner. has warned that he may block Telefonica, Spain's national telephone company, from joining Unisource - an alliance of smaller European companies - unless Spain opens up its telecoms services and infrastructures to competition.

He is insisting Madrid agree to grant licences to new operators in 1998.

UK NEWS: A DECADE AFTER BIG BANG

Ten years ago this Sunday, financial deregulation swept aside centuries of City tradition and emptied the floor of the Stock Exchange. John Gapper analyses the effects of the Big Bang

Painful struggle back to centre of world markets

Ten years after the series of financial deregulation measures culminating in the "Big Bang" of October 27 1986, the City of London is once more the world's leading international financial centre. Yet regaining its 19th-century place in world markets has proved painful and costly for many.

In one sense, Big Bang achieved all that it was supposed to, in creating more open and liberalised markets and more modern investment banks in the UK. But the institutions that emerged from the struggle are overwhelmingly owned by overseas banks, and they have taken many of their techniques from Wall

To preserve London's role as Europe's dominant centre for modern finance, many City institutions have sought protection from better-capitalised and better-managed parents. For those brokers, jobbers and merchant banks that tried to survive in new forms, there have been

At the time of Big Bang - the last of a series of measures that started with the end of exchange controls in 1979 and the deregulation deal struck between the Stock Exchange and the Department of Trade and Industry in - many of the new City institutions simply had to hope for the best.

"We were jobbing on a Friday with pencils and paper, and on the Monday we traded with computers," says Mr Jonathan Davie. deputy chairman of Barclays' investment banking arm BZW. "We had constructed a jumbo. but we were not quite sure if it would clear the hedge at the end of the runway."

The idea was to end separation between jobbers, brokers and merchant banks, and allow UK institutions to take on US investment banks such as Morgan Stanley. These had already had 10 years' experience of deregulation as a result of May Day in 1975 - the US market's own Big

The practice was different. tasks meant that the few firms British firms found they had a number of inherited weaknesses: ■ Capital: Merchant banks had only small hidden reserves, and brokers retained little capital because they dealt on commission. The new institutions not only found they had little experience of committing capital in a sophisticated way, but there was



We had great fun living in a smaller, compartmentalised, local little world. Now everything has changed

■ Technology: Foreign banks that bought brokers, such as Union Bank of Switzerland, soon discovered years of under-investment in technology. "We had big difficulties with settlement, and we had to rebuild all the technology from the ground up," recalls Mr Rudi Mueller, chairman of UBS in London.

■ Management: The task of integrating different cultures in the three parts of newly integrated firms was huge. "It took a great deal of time, patience and sweat to identify and blend the best aspects of each firm, rather than falling into the trap of: 'We have bought you, so you will do what we say," says Sir David Scholey of SBC Warburg.

There were notable early casualties of mismatches between firms and failures to graft together. Among these were Citicorp's enormously expensive mistake in buying and then shutting the broker Scrimgeour Vickers. Having to grapple with such

Where the big firms came from

A selective history of leading City institutions.



■ SHARE TRADING PAST AND FUTURE - By Nicholas Denton

in front of Mr Andy Ross, a marketmaker in the stocks of UK pharmaceuticals and chemicals companies at SBC Warburg, sits the new face of equity trading.

Among the 10 screens and squawk-box speakerphones crowded into his alcove, or "trading station", one especially large computer display has pride of place. It goes by the unromantic name of GDS, or generic database system, but it has transformed the way he deals.

GDS is an all-embracing risk control system which combines information on SBC Warburg's positions in different shares and derivatives. It adds the latest calculations of volatility - the amount prices move around - and correlations - the degree to which prices move in tandem. The result is a stockbrokers rather than measure of the potential loss to SBC Warburg if an individual share declines, or if different. As a "blue button". the market crashes. GDS allows SBC Warburg

More comfortable about risk customers and feel comfortable with the risks these

At the age of 36, and work-

ing at one of the most sophisticated equity trading operations in London, Mr Ross has seen it all. The City was a markedly different place in 1982 when he joined Akroyd & Smithers, one of the distant antecedents of the modern SBC Warburg. Before Big Bang, stockjobbers such as Akroyd & Smithers could act only in a single capacity. Trading from hexagonal pitches on the floor of the Stock Exchange, jobbers dealt with directly with investors.

The culture, too, was very or trainee dealer. Mr Ross

to execute large orders for for his elders. His course in business management at the changed. The trading floor London School of Economics was not to be boasted of in front of traders who valued, ceilings, concealing a thicket guts rather than intellect.

Superficially, little has don street market to a secuon which Mr Ross sits has the same oppressively low of computer and telephone The structural change cables. When the air condi-

Big Bang: London, October 27 1986

that had elected to remain inde-

pendent - notably the brokers

Cazenove & Co and merchant banks such as N.M. Rothschild

and Schroders - gained a com-

"Big Bang gave us a huge

opportunity," says Mr David

Verey, chairman of the merchant

bank Lazard Brothers, which did

not integrate with a broker, "We

were able to increase our market

share by leaps and bounds, not because of our own brilliance,

but because other people were

Yet in the past two years, the

collapse of Barings and the take-

over of S.G. Warburg have demonstrated how difficult it was for

the new LIK investment banks to

Mr Derek Higgs, a former vice-

chairman of S.G. Warburg, and

the chairman of Prudential Port-

folio Managers, says firms such

as Warburg were handicapped by

the head start given to US firms

by earlier liberalisation. They

also lacked the strong and

sophisticated bond trading arms

before the US institutions woke

up to the fact that there was such

a place, then arguably the UK

firms could have expanded more

robustly," says Mr Higgs. "The

average City employee in London

had not worked in a world that

gave him a broad range of exper-

The result of the upheaval of 1995 was two-fold. It made it clear

that, to prosper in modern mar-

kets, firms could not remain

medium-sized. It also galvanised

a second wave of investment by

man of the Stock Exchange and

formerly joint senior partner of

Cazenove & Co. says that Big

Bang was "a brave, but bril-

liantly correct decision", despite

some regrets for the past. "We

had great fun living in a smaller,

compartmentalised, local little

world," he says. "Now everything

Mr John Kemp-Welch, chair-

overseas banks into London.

"If London had deregulated

prosper in global markets.

parative advantage.

diverted."

of US firms.

 Physical trading of shares on the floor of the London Stock Exchange replaced by market-makers trading by telephone · End of the separation between brokers - which sold shares for

shares on the exchange

Fixed commissions for brokers abolished, allowing firms to compete Membership of Stock Exchange transferred from Individuals to firms

came with Big Bang in 1986 tioning fails, the equipment when traders moved from can heat the room up to 25C. the Stock Exchange to huge open-plan offices. Prices were shown on screens and traders, used to eye contact, had to get used to dealing on

Traders still shout across the

open-plan floor, or into the squawk-boxes. Nor has the archetype of the barrow boy - the trader who could

rities trading floor - given way entirely to the cerebral mathematician. For Mr David Balls, the 31-

SBC Warburg

de Zoete & Beva

Top five then and now..

Rowe & Pitman

de Zoete & Bevar

Hoere Govett

Stockbrokers by number of clients

year-old co-head of UK equity trading at SBC Warburg, the "rocket scientists" have their place. But they cannot supplant the born trader. "There are just some people who - whether it's ed records or securities will always make money buying and selling things." And the traditional camaraderie of traders is as important as ever. "I've got no time for anyone who is not funny," says Mr Balls.

Nevertheless, the pace of another trading house. change is accelerating. Booking a stock trade, which used to take 14 keystrokes, can now be achieved with two clicks of a mouse button switch with ease from a Lon- on one of the GDS terminals.

Marketmakers are also working harder, taking lunch at their desks rather than slipping out.

Being Brothers

Lezard Brothers

SBC Warburg

Morgan Grante

Goldman Sachs

SG Warburg

Kleinwort Benson

shrunk from 60 a decade ago to 20 after the takeover by Swiss Bank Corporation. Survivors such as Mr Ross have been those with the capacity to learn.

The role of computers will increase further next year, when the Stock Exchange's new system of order-driven trading comes into operation. In the new trading environment for the top 100 stocks, investment banks will enter a buy order into the computer system, which will automatically match it with a sell order from

"I think the change is as big as 1986, if not bigger," says Mr Balls. A decade after the first Big Bang, many marketmakers are now pre-

On a switchback As efficiency has improved. Warburg's UK ride of mergers marketmaking team has

Lead managers & book runners by market share

Sir John Craven, chairman similar combinations of merof Deutsche Morgan Gren- chant banks, brokers and fell, has lived Big Bang to jobbers. Of the 30 City merg-ths full. He advised on many ers that took place in the of the formative mergers of run up to Big Bang, he estithe mid-1980s, went on to mates that Phoenix Securi-close the securities ties, the corporate finance operations of Morgan Grenboutique he founded in 1981. fell later in the decade and had a role in 20. then built them up again in the mid-1990s in collabora-

Deutsche Bank

sche Bank Along this switchback ride, he has occasionally faced the charge of inconsistency. How can one who helped gain £100m for the partners of Wedd Durlacher Mordaunt have warned other banks against overpaying for jobbers? How can he have closed one securities operation, and then founded

tion with its parent Deut-

Sir John, a forthright man who worked for S.G. Warburg in the 1960s and the eurobond house Credit Suisse White Weld in the 1970s. rebuts the idea. "People havehigh-powered, revved-up asked me: Did you make a cars and some of them didn't mistake?", he says of his 1988 decision to pull out of securities, "and my answer to that is: 'No, not at all."".

The move did more than throw 350 staff out of work, tegic thinking about the It also ended the lives of broker Pember & Boyle and job-leading role in many deals. ber Pinchin Denny, which "When acting for impleas were bought by Morgan or jobbers, we always bried Grenfell in the run-up to Big to get the partners to focus

by stage basis, because a lot to be; you have to work far crash, which undermined lar," he says. Morgan's hopes of building a Yet he argues that in a few

decisions. At the same time Daytona," says Mr Harkness. club they ever belonged to." devoted to the formation of

and demergers

CS First Boston/Credit Sal

Many banks overpaid for their acquisitions - of the £109m that Barclays paid for



What matters is not the firm's nationality, but what the owners do with it, where the dividents

go, and where the jobs

are created

Wedd, £100m went to the partners. Sir John accepts that greed, rather than strafuture of the City, played a

Bang. As such, it was an on longer term issues such private client management abrupt change from the Big as the strengths and weak may have retained more pre Bang vision of integrated UK ness of the banks they would. join. I am bound to say it The decision to leave the was not always possible to securities business came in . convince them to thank of "It isn't as fun as it used the aftermath of the 1987 anything other than top del-

> first-class securities arm. cases - particularly War-By mid-1988, we were losing burg's acquisition of Rowe 23m a month. It took some and Pitman and Aknowl & decisiveness, but not a great Smithers, and the creetler of deal of intelligence, to see it BZW - the bill was worthwas not something we could while. For those that took sustain," he says. good firms, and integrated Yet Sir John's career in them properly it was money the early 1980s had been well spent, even if it was a hell of a lot," he save

THE PEOPLE - By George Graham

It was 'absolute hell with a wooden floor'

Much has changed in the City of London in the ten years since Big Bang but there are still many who started as "blue button" apprentices on the Stock Exchange floor. While some have regrets

about the passing of the old ways, the nostalgia is distinctly muted and coloured by a feeling that many of the changes have been for the better. "Professionalism in all

areas has improved markedly, and not before time," says Mr Fred Carr, who before Big Bang was a partner at the stockbroker Capel-Cure Myers, and today runs Carr Shepherds, a private client business.

Mr Carr has few fond memories of the pre-Big Bang trading conditions, which he recalls as "absolute hell with a wooden floor. You'd come back to the office at 3pm and blow your nose, and clumps of brown wood dust would come out".



'It was a bit like going to Daytona, Everyone had

these high-powered, revved-up cars and some of them didn't know how to drive them

But Mr Leslie Kent, an analyst with MeesPierson, remembers some of the instinctive flair of the old timers.

could walk through the door, take a sniff of the air and tell you whether the market was going up or down," he says.

and the computer screen and away from the face-to-face dealing of the old Stock Exchange, few believe that he says. has taken the physical contact out of the City.

"A lot of people have compensated for that. The one thing you will find is that there are just as many pubs and bars in the City as there were before," comments one broker.

"Maybe some of the characters have passed to the Liffe [futures] market," suggests Mr Euan Harkness, now head of gilts at BZW, the investment banking arm of Barclays Bank.

Mr Harkness began his house, and at the time of Big Bang was a partner with Kent. stockjobbers Wedd Durlacher, one of the firms which made up the kernel of today's BZW. Looking back, he recalls a more leisurely working day and a less Although trading has demanding market.

"It was a lot more relaxed. When I started people didn't get in till 10 o'clock. I get up at 5.20 in the morning now,"

"The gilt market then was effectively two jobbers. You were looking at the UK in isolation. Now when you're trading any of these fixedinterest markets you are trading five different economies," he says.

In the research departments, which have grown spectacularly in size and influence in the last decade. the changes have also been marked. "My spreadsheets 15 years ago were loads of bits of paper sellotaped together. Nowadays I've got data on career with a discount computer going back to 1986 on 150 companies," says Mr

> The transition from the old partnerships to bank ownership brought new management patterns. Many brokers found banks too slow at making investment

many were surprised at their lavish spending on a business they did not seem to understand.

"I was amazed at the banks' attitude to cost control," says Mr Carr, who recalls the bankers' surprise share a hotel room on busia night, and on a three-week trip that was a lot of money," he says.

Memories of October 27 1986 are mixed. "It's a date which is

engraved on my heart," says Mr Kent. "I feel it should have been done on a stageof the smaller brokers were left flat-footed and a lot of the big houses made mis-

Many dealers had gone to the US for training in the new systems, but when they came back there was still a lot to be learnt.

"Everyone had these

know how to drive them." Mr Carr's memories are different: "It was all a bit of an anti-climax - things worked. Looking back on it, that stockbrokers would there were much bigger changes to come, for examness trips. "That saved £120 ple when the Financial Services Act was fully implemented."

But he acknowledges that Big Bang characteristics investment banks. than other sides of the stockbroking business.

longer hours, it's far more stressful, but you do get paid a lot of money. In the private client business I suppose we have much more of a life akin to what it used to be in the City, and we choose to keep it that way. I suppose to some people it was a club, "It was a bit like going to and to some it was the only

chairmen, Deutsche Morgan Grentell

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Concern over BSkyB sports deal

By Raymond Snoddy in London and Emma Tucker

A CHTTCHER 25 1996

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Regulation of

45.00

Mr Karel Van Miert, the European Competition Commissioner, last night said he planned to look into British Sky Broadcasting's four-year 2670m (\$1bn) deal to show English Premier League soc-

Radio Five Live programme Inside Edge that he was worried about the deal. "We have a lot of questions which we need to sort out as rapidly as possible. We must

events," the commissioner

"We have to question for how long companies are allowed to own these rights. If there are only a few very big companies left having the financial power and having the strength to buy all the interesting broadcasting Mr Van Miert told the BBC rights, then something is wrong. They can acquire a dominant position."

Asked if he would intervene in the BSkyB deal Mr Van Miert replied: "We certainly will. We certainly will. make sure the maximum And what should not happen

allowed to see sporting rights will be in such a dominant position that they are going to impose the rules." Mr Van Miert added: "We have to look into the deal, and also the duration of the contract. The sub-licensing system is of importance, and eventually the dominant position a broadcaster might acquire in the market. We

have to deal with it." Exclusive soccer rights are the cornerstone of BSkyB's business, and Sky Sports 1 is one of the satellite group's most popular channels. According to recent ratings the channel is the most

number of people are is that those acquiring the watched satellite channel in

BSkyB last night accused the BEC of a "a blatant distortion of the facts and a sad commentary on the declin-ing standards at the BBC". Mr Van Miert also issued a statement saying that a dis-tinction had to be made between the need to watch closely all such deals, and formal investigations.

"Such a formal investigation is presently underway as to the Dutch sports channel, especially as regards the seven-year duration of the contract and not as far as

the BSkyB-Premier League is concerned," Mr Van Miert's office said.

The Commission's determination to look at the BSkyB contract, Mr Van Miert said, was part of a more general monitoring exercise related to the overall phenomenon of exclusive rights on sports events.

It looks unlikely that Mr Van Miert plans to launch a formal investigation of the BSkyB deal, which was won in competition with two other bidders.

Lex. Page 16

Big holiday operators await judgment

Regulator set to decide whether business is conducted along the lines of fair trade their brochures. They also

s Yvonne Holmes. s Yvonne Holmes, owner of Classic Travel, a small travel agent in Loughton, Essex, is sanguine about competition from Lunn Poly and Going Places, the massmarket tour operators which have opened in the town centre since she started her business 12 years ago. "I'm not frightened of

them. We are professional travel agents; they are holiday shops," she says, sitting by a window displaying an award from Travel Weekly, the industry publication, for best independent agent 1996. But like many independent travel agents, she is angered by what she sees as lack of fair play in the business. The number of independents has declined by more than a quarter since 1990, a trend which they claim

could lead to domination by big retail chains and less choice for consumers. The Office of Fair Trading is likely to announce next week whether it intends to refer the package holiday industry to the Monopolies and Mergers Commission. The OFT cleared the indus-

promised to review its find-Its investigation is now complete but its length - it has given independent comlasted more than a year -

try of anti-competitive

behaviour two years ago but



Shrinking number of travel agents* Of the 1706 departures, Financial fallure

Dete	Companies	Loss %
Jest 1 1990	2965	61 (1.7)
Jan 1 1993	2748 2712	36 (1.3)
Jen 1 1994	2572	140 (5.2)
Jan 1 1995	2430	142 (5.5)
Jan 1 1996	2219	211 (5.6)

panies the heart to believe that the OFT's new director-general, Mr John Bridgeman, may be tougher on the bigger companies than Sir Bryan Carsberg, his prede-

The industry is divided over the inquiry. In one corner are Thomson and Airtours, the biggest tour operators which own the two biggest travel agents respectively Lunn Poly and Going Places. They account for almost half the package holidays sold. The companies argue that

not be regarded as anti- divided on one important competitive since there is healthy rivalry in the industry leading to frequent dis-counting. If the independents get their way, holiday prices could rise by as much as 20 per cent, claims Thom-

The operators also dismiss as ludicrous the suggestion that they offer limited holiday choice, given the everincreasing range of destinations on offer, and they argue that the independents are trying to protect themselves from competition. But dent tour operators in the two companies are exchange for displaying

say that consumers should be told that staff are paid incentives linked periodically to the volume of of selected tour

Mr Colin Heal, the chairman of Artac WorldChoice. which represents 600 independent travel agents, said: 'Many people still don't realise that if they book through one of the vertically integrated groups, they will almost certainly be sold one of that company's own holidays, fly on one of their planes and, to obtain a discount, be required to take out compulsory high price insurance."

The OFT is likely to focus on three main areas: The way travel agents link holiday discounts with the purchase of travel insur-

 The way big companies choose to disclose the strength of the tie with their parent company.

The way in which tour

operators set commission levels to ensure their brochures appear on the travel agents' shelves.

But whatever the outcome of the long-awaited review, one thing is for certain; the industry will be divided for a long time to come.

Scheherazade Daneshkhu

Stamp duty exemption extended

By David Wighton, Political Correspondent

The City of London yesterday gave a broad wel-come to the government's decision to extend the market maker's exemption from stamp duty to all intermediaries trading on UK or European stock exchanges.

The move clears the way for the abolition of the special status of market makers introduced at Big Bang, 10 years ago. Large market makers said they were pleased that the government had responded to their concerns about restrictions on the exemption.

When the proposal was first put forward in July, the government suggested that relief should be confined to shares that were bought and sold within a set period.

But in a House of Commons statement yesterday, Mr Kenneth Clarke, the chancellor of the exchequer, said the Treasury had concluded this would not be necessary. Mr Clarke said it would impose additional compliance costs on firms and encourage a new type of tax-driven trading. Yet it would do little to protect the revenue from stamp duty on shares.

He said the new regime was expected to deliver roughly the same yield from stamp duty on shares which currently brings in about £1.3bn (\$2.02bn) a year.

The Stock Exchange welcomed the change which will underpin the development of new markets operating without market makers.

The move also has the backing of the Securities and Investments Board, which believes it will encourage liquidity on new markets such as Tradepoint, the equity screen-based

Although the changes are expected be to revenue neutral, the chancellor warned that he was taking reserve powers to impose a non-zero rate of stamp duty on share

exchange.

UK NEWS DIGEST

Multi-speed EU plan attacked

Mr Malcolm Rifkind, the foreign secretary, yesterday set Mr Malcolm Rikind, the foreign secretary, yesterday set the UK government on a collision course with France and Germany over their proposals for a "multi-speed" Europe, in which groups of European Union countries could move faster than others towards integration.

On the second day of Commons debate on the govern-ments' last legislative programme before the election, Mr Rifkind acknowledged that the EU would acquire a more "flexible" structure, with different countries co-operating in respect of varying projects. However he also voiced concern over Franco-German proposals, launched earlier this week, to establish a framework for such flexibility. These will be discussed at the Intergovernmental Conference on EU constitutional reforms.

Mr Rifkind said any proposal to create a core of countries more closely integrated within the EU institutional framework should only go ahead "if all 15 states can agree". The UK could veto the Franco-German plan since all IGC reforms require unanimity.

MAD COW DISEASE

Need for beef ban 'reinforced'

Mr Franz Fischler, the European agriculture commissioner, said yesterday that new evidence that mad cow disease could be transmitted to humans reinforced the need for a continuing ban on British beef and a further

Research published this week by a team from London's cull of cattle. Imperial College found that a new variant of a fatal brain disease in humans, Creutzfeldt Jakob Disease, left chemical traces similar to bovine spongiform encephalopathy or mad cow disease. The European Union banned exports of British beef in March after the British government announced a possible link between the two diseases.

Mr John Major, the prime minister, said yesterday Britain had already taken measures to counter the possibility that BSE could spread from contaminated beef to humans. A Commission official said the evidence did not suggest that "further precautionary measures" were needed. However, if the EU's veterinary committee recom mended that further action should be taken "we will do Financial Times Reporters

UTILITY REGULATION

Call for decisions to be more open

The Confederation of British Industry yesterday said that the regulators of utilities should conduct their business in a more open way and reach decisions after consulting an advisory board of experts.

The UK's largest employers' lobby said, however, it thought the RPI-X method of price control had worked well and it rejected calls for its abolition in favour of other forms of financial control over the utilities.

Mr Peter Agar, deputy director-general, said RPI-X was not perfect, but "it has been effective in achieving benefits for customers and for providing the right sort of

incentive for the utilities to reduce costs. The comments came as the CBI published a discussion paper on how to regulate the regulators.

It comes a week before the Commons trade and industry committee begins hearings into the work of the regu-Simon Holberton Editorial Comment, Page 15

Air price review

By Motoko Rich in London

Price controls on landing and take-off charges at Heathrow, Gatwick and points. Stansted should provide BAA, the airports operator, with about 2230m (\$359m) of funding for the building of a fifth terminal at Heathrow

The Civil Aviation Authority yesterday confirmed market expectations as it announced that it would restrict price rises at Heathrow and Gatwick to no more than three percentage points below inflation over the next five years. This would provide BAA with an average return on capital of 7.5 per cent and funding for its investment in Terminal 5.

Shares in BAA rose 15 pence to 519%p. The CAA said it would permit BAA to raise its charges at Stansted. the smallest of its London airports, by one percentage point above the retail price

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ERICSSON #

The CAA has endorsed recommendations made by the Monopolies and Mergers Commission in July. The new caps represent an easing of the current regime,

under which increases in charges have amounted to an average cap of inflation minus four percentage

Under the new formula which is subject to an annual review - the CAA said prices at Heathrow should rise at least one percentage point ahead of price increases at Gatwick, because the bulk of capital investment would be at the west London airport.

If the public inquiry into Terminal 5 led to it being scrapped - or a Labour goveroment put it out to tender - the CAA could adjust the price caps to changes in BAA's investment needs before the five-year period elapsed. BAA will be allowed to recover £55m in lost profit due to the abolition of intra-EU duty and tax free allowances in 1999.

 The Department of Transport is expected to confirm within the next few weeks that plans to privatise Britain's air traffic control service, a move which could raise £600m for the Treasury, have been postponed by the government until after the

Ruling on VAT boosts Terminal 5 refunds hits gilts

Merger/Takeove

Closed(Not Financi

By Jim Kelly, Accountancy Correspondent

Argos, the catalogue retailer, was overtaxed by £1.4m (\$2.2m) on special discount offers to customers and will be refunded following an unexpected ruling yesterday from the European Court of Justice.

The ruling, and a similar one in favour of Elida Gibbs, the personal products manufacturer and Unilever subsidiary, which claimed £880,000, overturned an expert opinion given by the court's own advocate general in June.

Customs and Excise said the ruling would apply to some other companies making similar VAT claims and could cost the exchequer £70m. The Treasury indicated earlier that total refunds could reach £200m. Customs said its lower fig-

ure was based on the government's recent decision to limit back claims on VAT to just three years, rather than allowing retrospective claims to 1973 when VAT was introduced.

The decision will cut the amount refunded to Argos

and Elida Gibbs. The government decided to impose the time limit to protect the public finances from flood of VAT claims which could have reached several hundred million

issue. While Thomson denies

that Lunn Poly favours its

holidays, Airtours admits

that Going Places promotes

In the opposite corner are

the independent holiday

companies, many repre-

sented by the Association of

Independent Tour Operators

and Artac WorldChoice

trade bodies. They say that

the big companies operate

restrictive practices because

they demand high levels of

commission from indepen-

its holidays first.

pounds. However, the time limit is being challenged in the courts and faces opposition from industry when the government tries to enshrine it in law in this year's finance

UK government bonds fell sharply following the court decision amid rumours about the potential impact on government finances shead of the Budget.
"Because the whole situa-

tion is caught up in legal wrangling, it creates an ideal scenario for rumourmongering," said Mr Huw Roberts, a bonds strategist at NatWest Markets.

The December long gilt futures contract traded at Liffe, the London futures exchange, fell by 0.15 on the day to settle at 109.10. In the cash market the benchmark 10-year gilt fell by 4 to 99%, and its yield ros eight basis points to 7.63 per

The privatisation of

Clare Bellwood 0171 873 3234



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The Department of the Environment ("DOE") is offering the Building Research Establishment ("BRE") for sale by cender.

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fire safety. Principal provider of high quality, authoritative research and advice to the DOE, as well as other parts of the UK public

sector and the private sector. A turnover of £40.5m for the year ended 31 March 1996. 693 full and part-time staff. Many of the researchers have

international reputations in their fields. The majority of staff are based at Garston, Herdordshire. The site houses offices, specialist test facilities, and scientific and aboratory equipment. There is also a major test facility at Cardington, Bedfordshire and a laboratory at East Kilbride.

The assets include the fresholds of Garston (25.9 hectares) and Cardington (8.24 hectares).

The Department's objectives for the sale are to secure the continued provision of high quality, independent and impartial research and development and advice, at good value for money, that meets the requirements of Government and industry and is responsive to the commercial needs of industry; to transfer the Establishment to the private sector by the end of February 1997; and to optimise the net proceeds to the taxpayer.

Further information about the business will be made available to enquirers subject to a confidentiality agreement and pre-qualification. Those wishing to receive such information should contact:

Price Waterhouse Corporate Finance Financial advisors to the Department of the Environment on the sale.

Tet 0171 939 5695

Fee: 0171 403 0733 Marked for the attention of Tarique Shakir-Khalil.

Price Waterhouse



next has been approved for the purposes of section 57 of the Financial Services Act. 1986 by Price Woo se Corporate: Frontce is a division of Price Woterhouse, a parasership authorised by the leisth to comy an avestment business. The Department of the Environment reserves the right to withdraw the sale at any time.

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This advertisement has been issued for the purposes of Section 57 of the Financial Services Act 1986 by Price Waterhouse, who are authorised by the Institute of Chartered Accountants in England and Wales to

eminal. The Court has now made an order in this Petition in the following terminal: Etimburgh, 2-2nd October 1996. The Lorda appoint the Petition to be manused on the Walls in common form and to be advertised once in the Editaburgh Gazene and once in each of the Financial Times and Herald newspapers and appoint all parties elaturing an interest to lodge Answers thereto. If so advised, within 21 days after such intimation and alvertisement. "Donald M Ross" IPD —Donald M Ross" IPD" All of which instination is hereby given. Dundas & Wilson, CS. Saltire Court, 20 Castle Terrace, Edinburgh, Solicitors for the Peritoriers.

LEGAL

NOTICES

A Pention has been presented to the court of Session in Edinburgh by Britannia Life Holdings Limited, a Company memorperated under the Companies Acts and having its Registered Office at Britannia Court. 50 Bothwell Street, Glasgow, G2 6HR, for confirmation of reduction of its share capital. The Court has now made an order in this Peritton in the following termit:

The theorem: "and Courtee 1606.

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Scandex chief had help at the top

"I was there for seven

C candex Capital Management, a company whose customers lost more than £1m (\$1.56m) on high-risk currency trades before a clampdown by British and Danish regulators. was not a one-man show. In the course of proceedings brought by Britain's Securities and Investments Board, Scandex and Mr Jeremy Bartholomew-White, its managing director, bave given undertakings, until trial, not to conduct unauthorised investment business, make misleading statements or make "cold calls"

in the UK Although Mr Bartholomew-White was in the spotlight this week as he appeared in the High Court in connection with the SIB action, Scandex's day-to-day operations, which included sales of shares as well as foreign exchange trading, relied heavily on Mr Ian Farrell and Mr Adrian Jewkes.

months and we hardly ever saw Jeremy Bartholomew-White," said one former Scandex salesman. Another who was in Copenhagen for a month said: "I never met him." Mr Bartholomew-White said in court be was now the "sole director" of Scandex and that letters to investors were written in his name. But he rarely visited Copenhagen, according to a former salesman, while "Farrell and Jewkes were there every week without fail.

They usually came on Tuesday and left on Friday." Mr Bartholomew White and the two men themselves describe the role of Mr Farrell and Mr Jewkes as "consultants". All three had been shareholders in Scandex. although Mr Jewkes said yesterday he no longer had a beneficial interest. Mr Farrell was Mr Bartholomew-White's co-owner

and fellow director at Euro

foreign exchange company ceased trading in which April. Of Mr Farrell's role at Scandex, a former salesman said: "He was the top man. He ran that company lock, stock and barrel.' But Mr Tom Sherston.

Scandex's foreign exchange trading manager, said yesterday: "Jeremy Bartholo-mew-White was always the person who made the ultimate decisions." Mr Farrell often had to consult Mr Bartholomew-White, he said. Mr Jewkes was responsi-

ble for the share sales division of Scandex, where the size of customers' potential exposure has not yet been established. He is chairman of Park Equity Services, a financial intermediary based in Tunbridge Wells, Kent. He was also a director, with Mr Bartholomew-White, of Anderson Ross, a cur-

rency trader which took over

the offices and telephone

Currency Corporation, a UK number of Euro Currency Both had left the board before Anderson Ross withdrew its application for authorisation by the Securities and Futures Authority. Mr Jewkes said Scandex

was a professional client of Park Equity and had bought stock from it on occasions. Park Equity and Scandex were "entirely separate companies with different shareholders and they dealt at arm's length with each other," Mr Jewkes said. Park Equity itself had not been involved in Copenhagen.

Park Equity's customer lists were "almost certainly used by Scandex/Anderson Ross. Employees who left were free to take such lists with them under their terms of contract and some did join both Scandex and Anderson Ross," he said. Mr Farrell was not prepared to talk to the FT yesterday.

Clay Harris

■ Headquarters: by Simon London

Small is the fashion for head offices

become a substantial overhead in

recent years

The Grosvenor Estate, which owns large tracts of central London, will soon start the redevelopment of Hobart House, a 1930s brick building overlooking the gardens of Buckingham Palace.

in the past the developer would probably have aimed at putting up the largest possible building consistent with the planning regulations governing the sensitive

But the new Hobart House will sacrifice floorspace for flexibility.

Although it looks like a single block from the outside, the building is designed to cater for several occupiers sharing common facilities. grouped around an unusually large central atrium.

Dick de Broekert, Grosvenor Estate development director, says the design is the result of research which



Andrew Gould: communication rether than bureaucracy

د آيانفسيلفاند

Surplus space has shows that large companies are looking for smaller, more flexible head offices.

> Companies recognise that a smaller corporate centre cannot support dedicated services such as staff catering or conference facilities. One solution is to share these facilities among a number of tenants in a single building, he says.

Andrew Gould, head of consulting at Jones Lang Wootton, the chartered surveyors, points to two parallel trends among corporate occupiers

First, head offices are becoming smaller and acting as control centres for operating businesses.

These compact offices are likely to be located in prime locations in central business districts, enabling senior managers to mingle with

Examples of this reduced head office function might include the small Mayfair bead office occupied by Zeneca, the pharmaceuticals company which demerged three years ago from from ICI, the chemicals group.

The second trend is that

companies are recognising the value of consolidating operating company management into single buildings to encourage greater communication between business units.

"Buildings are increasingly about communication rather then bureaucracy. The days of offices as paperfactories are over," says Mr

The financial services sector is already well advanced with consolidation. Financial institutions such as Citibank and Merrill Lynch, which until recently occupied a number of dispersed locations, are now favouring a single large headquarters. Industrial and commercial

companies are starting to pick up on the trend. Peter Cole of Hammerson,

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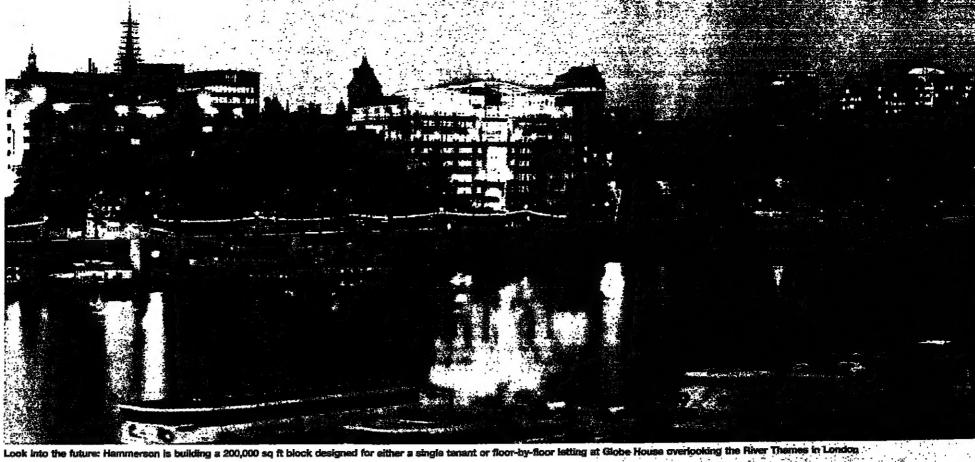
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JUST WHAT

IN THE



the property development company, believes that occupiers are much more flexible about location for this new generation of big buildings. The traditional central

London business districts will have to compete with outlying areas such as docklands and the western corridor, stretching out to Heathrow airport. The western corridor has

already been dubbed "brand avenue" because a large number of international consumer goods companies have taken buildings in the area. Recent examples include

Disney, the US entertain-

ment group, and Seagram,

Such companies demand good access to transport connections - essential for communication-oriented offices and facilities for staff.

For developers in central London, the challenge is to provide new buildings which are flexible enough to accommodate either a large operational headquarters or a number of smaller corporate centres.

building in Hammersmith.

At Globe House, overlooking the Thames, Hammerson is building a 200,000 sq ft block designed for either a

the Canadian drinks and single tenant or floor-bymedia group which last year floor letting. leased the futuristic Ark Unlike the new Hobart

House, the floorplan is conventional, with only a small atrium to bring light into the building. But each 20,000 sq ft floor has been designed to allow sub-division or sub-let-

Similar flexibility is already paying off in other buildings. In the City of London, British Land, the property company, has failed to find a large single tenant for its 160,000 sq ft Corn Exchange development and is now considering whether to move to a floor-by-floor

Hammerson hopes that the flexible design of Globe House will help attract a single large tenant because surplus space could be sub-let rather than lying vacant. Surplus space has become

Similar problems could be avoided in future by designing buildings which can be divided in a number of dif-

a substantial overhead in

recent years for UK busi-

ferent ways. In addition to flexibility, companies are also interested in the operational efficiency of their buildings. For most companies, this means large floors which can be arranged in a variety of different lay-outs. Research shows that the

rate of "churn" - the number of times employees move ks - has been rising fast since the mid-1980s. The cost of this constant flux can be minimised by designing buildings which are easy to

With this in mind, many developers now use space planning at an early stage of the design of a new building. A buzz-phrase among all tenants and developers is "floorplate efficiency

Non-financial companies tend to view floors of about-20,000 sq ft as optimum size.

enabling 150 to 200 staff to be accommodated on a single level. Investment banks will take floors of up to twice this size to accommo their dealing date operations.

Hammerson was willing to incur additional costs to reduce the number of inter-Globe House, It hopes this will make it easier for tenants to arrange the space and make the building easier to let.

Three years ago most corporate occupiers were still cost-cutting. Today, they are looking for efficiency," says

■ In and out of town: by David Lawson

parks are still popular

Most towns cannot accommodate large users looking for modern

buildings property industry as the govguidelines this summer which made plain the com- in going out of town." mitment to restrict develop-

excitement than despair. "It is all much too late." savs Simon Ives, of surveyors Chesterton. Councils around the UK have already office parks to last them for the rest of the decade. Where shortages do occur, it will existing sites rather than force big businesses back into centres.

The problem is that most towns cannot accommodate large office users looking for modern buildings. Well-located sites are like gold dust and the surplus of vacant space built in the boom has dwindled to vanishing point. Little new development is is still scarce.

In any case, many busiin centres. They have grown

glossy buildings that have row are more than £26 a sq sprung up on business parks over the past decade. "This will continue to make life difficult for town centres," says Mr Ives.

The professions, banks and a number of institutions A shiver went round the still prefer central locations, but those less traditional ernment issued planning and possibly more pragmatic see substantial advantage

ment outside town centres. have recently emerged in the and hold, staff. That is But it was more a feeling of economic cauldron west of almost always away from London, where electronics companies have renewed the spectacular growth rate of the 1980s. Microsoft has bought more than 30 acres designated enough land for on the Thames Valley Business Park from Argent. This gives space for a new 250,000 has 200,000 sq ft blocks availsq ft headquarters plus merely push up the value of elbow room for twice that amount in future expansion. Novell has matched its fierce rival by spending more than £20m on a site at Arlington's business park in Bracknell to replace its town centre

adquarters. The trend away from town centres a decade ago was linked to costs. Rents were soaring: so were local authority rates. Today, rents taking place because funding are often higher outside towns than in the centre across much of the country. nesses no longer want to be Even in London the gap has narrowed. Latest lettings on used to the airy spaces and Stockley Park near Heath-

ft. That is still well below the £45 Richard Ellis is quoting as top rents in the West End but higher than the depressed mid-town area of Holborn.

days revolve less around headline costs, however. Companies are more concerned about getting the right quality space in sur-Some classic examples roundings that will attract. town centres. Notable except tions such as Brindleyplace, Birmingham, and the potential GMEX redevelopment in Manchester merely accentuate the general rule. Even London Docklands no longer able at the drop of a hat - at least until Canary Wharf

> chapter. Investors are gradually growing disenchanted with city centres and just not providing the space for busisses to shop around. But that is only a reflection of what is happening among occupiers, according to Angus McIntosh, head of research at Richard Ellis. He points out that big question marks hang over the future of offices as tenants reduce space demands.

gets into a new development

New technology brought the first wave of staff cuts.

Outsourcing of catering. cleaning, transport and other non-core services will streamline organisations even more. The rump left is likely to use space more intensively as techniques Location decisions nowasuch as hot-desking and homeworking are intro-

Across much of the country. rents are often higher outside towns than in the centre

fewer large corporate build-ings in future. Those that are built will be commissioned by companies rather than picked off the shelf partly because businesses are now more sophisticated in their demands but also through a lack of funding for

more likely to be on parks where planning permission has already been granted. The exception could be in town centres where renovation is possible to a high

provided in local plans.

Instead, there are numerous examples of councils not

So there are likely to be

speculative development.

These buildings are also large redundant blocks in crucial advantage of generous car parking provisions which were set back in the days when no-one had heard of the ozone layer and global warming. Today, an occupier would be lucky to get even the much-reduced number

only restricting parking below their own standards but demanding payment for the "phantom" spaces as a ties. This sends out bad vibrations to companies to city centre could have a already smarting from traumatic impact on many

rather than solving town centre problems, says Mr Ives. He cites Leeds, which insists on only one space for approximately 2,000 sq ft of lettable accommodation roughly one for every 16 to 20 people.

their desire to reduce pollution but there is simply no alternative to the car," he says. The trains were seen as unreliable and the old busesclanking around the city felt to produce far more noise and fumes than any cars.

Even planned improvements such as park-and-ride would not satisfy the typical business executive who faces wishes.

standard. These have the a wet February morning at a bus stop rather than the warmth of a BMW. Set this against the gener-

ous parking provisions already granted to business parks and it seems inevita-ble that companies will look outside town centres for new This will polarise property

values in favour of flexible. modern space which is easily accessible by car and leave behind those in marginal locations.

"marginal" from city fringe tighter restrictions on areas, ironically, this is the very reason why the govern-This is compounding ment has come down so heavily on green field devel-

It was ostensibly aimed at preventing shopping centre draining the life from town centres. But the "sequential" test - involving looking at all central options before "One sympathises with gradually working outwards eir desire to reduce pollu- also applies to other build-

> The problem is companies looking for large new property have an escape route already prepared. Blocking that will require a lot more involvement in raising standards in city centres. Even then, the space may not be available to meet their

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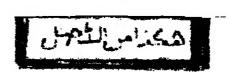


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E Strategies for surplus space: by Christine Moir

Room for manoeuvre

Many companies have only a hazy picture of

heir property holdings

One consequence of the corporate management fash-ion ior dewnsizing, delayering outstarting and general creation of buildings surplus to requirements. When, as now, that trend has coincided with a long and deep recession the stock of sur-plus space becomes a d phenomenon.

managements just bite the bullet when it hap pens and try to offload each surplus building as best they can, A few, however, are learning that it is possible to devise a corporate property management strategy which educes the cost of exiting from a property or may even eliminate the need. Property consultants

dvise starting with the creation of a property database covering all buildings owned or leased, together with detailed profiles for each. These might include: the lease structure, rent bill and lease breaks any environmental liability (for example, redevelopment of the Department of the Environment's headquarters in Marsham Street, London SW1 is complicated by Its being on the site of an old gas works), present and prospective occupancy levels and local demand for similar proper-

However unlikely it may seem, many companies, particularly multinationals, have only a hazy picture of their property holdings, ording to James Holling-

:17

-22

P-12

ton of Healey & Baker's corporate services unit. Property management is typically delegated to the individual plant manager. The country manager may have a fair idea of which buildings come under his/ her jurisdiction but the group board is unlikely to have any detailed picture, especially where there have been cross-border acquisitions of long running, tron-

Building a picture of the property portfolio at once increases a company's flexibility. If the building which becomes surplus proves to have heavy exit costs compared with others held by the company (an unfavourable lease break date, perhaps, or low demand by possible future occupiers) it may be possible to release another building with a better resale or sub-letting pro-

Seeing the picture as a whole also allows the board to judge more accurately just how effectively they are using their properties. It may be that more than the immediate building is under-

Co-location on one site by two or more formerly freestanding operations may reduce costs.

It may be possible to relocate certain functions to cheaper areas (or even cheaper countries). This could allow the company to release prime properties on to the market.

Companies able to see beyond the individual building may be able to time the release of redundant properties to maximise their attrac-

In a weak market this may still result in unpalatable



Specification: by Simon London

n McKee: not all buildings

options but at least the company will be taking the best decision under the circumstances. Thus, when Marks & Spencer re-organised and modernised its distribution operations some 18 months ago, it faced the fact that its smaller, older warehouses were so unattractive that it agreed to pay a premium to persuade potential new tenants to take them over. At least it saved on the cost of demolition or managing them as empty shells.

Once the board comes to grips with its portfolio and its space needs, it can concentrate on strategies for individual buildings. It may be that a particular redundant property will have to remain empty and idle (be taken into stock, as the jargon has it). But that, says H&B's Mr Hollington, is only for extreme cases. Many possible alternatives can be explored.

Change of use is one of the most publicised alternatives at present, particularly conversion of commercial proprties to residential use, in line with government planning policy to promote mixed use of town centres. Government departments may even be leading the way in this respect; witness the redevelopment of the Treaury building in Whitehall where part of the space could become upmarket apartments with a view across Green Park to Buck-

Other well known conversions include that of County Hall, the former GLC offices opposite the Houses of Parliament, into apartments and the similar re-use of Shell's second Thames-side building not many yards away.

Residential uses are being found for former commercial buildings in town centres all over the country. One of the more pleasant ironies is to see the dark, satanic mills of Manchester and Leeds converted to stylish apartments to support the new cafe society rejuvenating those city



ington: board may

William McKee, directorgeneral of the British Property Federation, warns, however, that not all buildings are suitable for simple con version. Apartments carved from old multi-storey commercial buildings may attract city dwellers; they do not easily convert to family style properties suitable for the suburbs.

By no means all of them convert comfortably even to other commercial uses. A decade ago out-of-town retail warehouses were seen as obvious inheritors of redundant industrial buildings. layout is rarely suitable and it is far more likely that existing buildings will be demolished and the land redeveloped as in the case of the old Fiat factory on the Great West Road out of London which now provides four decentralised office buildings for Wang, Samsung, Mercury and Nokia.

More ambitious redevelopment may be contemplated where neighbouring property owners can obtain the backing of the local authority for a community project. The Oxo Tower (now a complex of community housing, workshops and restaurant: may have offered a unique location, gazing across the Thames to St Paul's. Mr Hollington, however, points to a redevelopment scheme in Nottingham and the revitalisation of Associated British rorts derelict lan as two examples of innovative community schemes

Mr McKee at the BPF citas the role of local government in turning surplus commer cial land into parks and open spaces, non-commercial perhaps but socially valuable.

Cash-strapped local authorities may not be in a position to exercise this function but, longer term, as Mr McKee points out, they will need to become a part of the network which finds the best way of minimising what many believe will be a permanent surplus of less than prime commercial property.

A West End opening

Simon London examines the Minerva flotation plans

inerva, the priowned by Mi David Garrard and Mr Andrew Rosenfeld, plans to loat next month in a deal likely to value the company at more than £150m.

Founded in 1988, the company has net assets of about £100m and plans to raise more than £50m of new capi tal by placing shares with investment institutions. Neither of the foundernanagers are selling shares

and will retain a majority stake in the company.

Minerva's £400m investnent portfolio is based on London offices, its largest single asset is a 150,000 sq ft office building at 250 Euston Road occupied by the Prudential, the life insurer.

Other large properties are in Croydon, Sutton and in the West End of London. Its latest move is the £37m acquisition of the former London headquarters of Banque Paribas, the French

bank, on Wigmore Street, to the north of Oxford Street. Mr Rosenfeld believes this acquisition could open the way for a substantial West End office development on the site. Minerva already

owns an adjacent building. Mr Garrard, 57, made his name in the 1970s and 1980s



Founders: David Garrard (left) and Andrew Ros

as an estate agent and property investor.

in 1986 he was part of a private consortium led by the Berger family which acquired Land Investors, the quoted company chaired by Mr Jack Rose, a legendary investor and developer in the 1950s and 1960s.

Mr Garrard sold out of Land Investors in 1988, making a tidy profit on his investment and avoiding the property slump to come.

Later that year he founded Minerya with Mr Rosenfeld, who had been hired to help manage the Land Investors portfolio. Still only 34, Mr Rosenfeld is regarded as one of the up-and-coming generation of property investors.

Minerva's strategy is based on buying large buildings let to good quality ten-Mr Rosenfeld rejects any

suggestion that the company's investment portfolio is "institutional" and lacking in possibilities for future growth.

In addition to the potential development in Wigmore Street, Minerva is working on a plan to redevelop a 240,000 sq ft office and retail complex in Croydon.

Mr Rosenfeld also believes that Minerva has proved its ability to restructure the ownership and leases of its buildings to create additional value.

Excluding the Wigmore

Street acquisition, the company has spent £239m build-ing an investment portfolio which is now valued at

£365m, he says. This equates to a 52 per cent valuation uplift, far outstripping the performance of the wider property market. lt remains an open ques

tion whether the stock market will accord Minerva the premium share rating reserved for high-flyers. Despite its impressive record, the company is not

exposed to retail warehousing and large shopping cer tres which are favoured by most fund managers.

The company has made plentiful use of bank debt in the seven years since its creation. Even after raising new money through the placing Minerva will have gearing of more than 130 per cent, among the highest in the property sector. Institutional investors are

also being asked to buy into a minority position which goes against the grain for some funds. These considerations point

to placing price at a modest discount to net assets per share. This would leave potential upside for investors if Minerya proves itself a big-bitter in the quoted property sector rather than

IPD monthly index for September

Total return (quarterly movement) %

6	 Index of monthly returns based at Dec 86 = 100 All Property Parties Office	+2.05 +0.99
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0		

Offices weak The poor performance of the June quarter. Total

the total return from the IPD monthly index to 0.7 per cant during September. Capital growth across the index as a whole was 0.1 per cent, but this reflected s 0.3 per cent decline in office values, offset by 0.3 per cent growth in the retail sector. Office rental values declined for the first time since January, falling by 0.1 per cent. Overall, rental values improved by 0.1 per cent. In the three months to

September, the total return on the monthly index was 2.1 per cent, unchanged on

office properties restricted return in the first nine months of 1996 was 6.1 per cent. This equates to a return of about 5.7 per cent on IPD's annual index, which includes a lower weighting in retail property and poorer income returns than the monthly index.

At a sector level, retail and industrial property showed a total return of 0.9 per cent in September. In the 12 months to September, industrial property has delivered a total return of 7.7 per cent, compared with 7.2 per cent from retail property and 6.2 per cent

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Era of understatement higher ceilings to avoid giv-Space planning

has encouraged developers to build wider buildings If the 1980s was a decade of

statement buildings, the 1990s is an era of understatement. This is reflected in the outward appearance of new offices and their detailed mecification_ Glamorous buildings -

famously described by Stuart Lipton, the developer, as offering "maximum marble, minimum value" - are certainly out of fashion with corporate occupiers. Today's landmark offices

tend to use steel, glass and stone rather than marble and polished granite. While many buildings still include an atrium, its principal function is now to bring daylight into the building rather than to accommodate hanging gardens and fountains.

Beneath the surface, subtle changes have taken place in the way in which office buildings are constructed. The use of space planning has encouraged developers to build wider buildings, which in theory allow more efficient use of internal

Chris Stickland, development director at Greycoat, the property company. es that the optimum width for a modern office building is 18 metres. This allows for a row of

cellular offices down each side, two corridors and a central area which can be used for either open plan or additional cellular offices. Wider buildings demand

ing a cramped impression to their occupants. Many new office developments offer a floor-to-ceiling height of up to nine feet, perhaps six inches higher than the industry standard of the late 1980s.

But, surprisingly, the overall height of new buildings is lower than older buildings with an equivalent number of floors. Developers no longer

incorporate very deep ceiling voids - to accommodate powerful air-conditioning as a matter of course. This is partly because tenants have rebelled against paying for air-conditioning systems which are more elaborate than they needed.

A common complaint in the late 1980s was that the office buildings provided by developers were over-specified and therefore expensive.

For example, powerful "variable air volume" airconditioning was fitted in many speculative buildings, even although the system demands large ducts and deep ceiling voids to channel cool air around a building.

Today, developers have drifted back towards coldwater systems that require less space and are perfectly adequate for all but the most demanding occupiers. Mr Strickland believes

that in the past too many

buildings were designed

according to received wis-

dom rather than according to the needs of tenants. Speculative development certainly breeds an innate conservatism. Developers have to cater for the widest possible range of potential

tenants.

investment institutions, often the providers of development finance. The net result is that few

speculative buildings break new ground in terms of design and specification. Market forces demand a standard product that takes few risks and appeals to a wide audience. "There is inevitably a

degree of over-specification in speculative development. We have to cater for as many potential occupiers as possible," says Gerald Kaye, development director of Helical Bar, the property com-The British Council for

together tenants and developers, in 1994 published a materials and standard specification for construction process offices. The document aims to provide a benchmark for basic office design, avoiding over-specification in matters such as floor-loading (the amount

Offices, which brings

and air conditioning capacity.
The BCO guidelines have been influential. Mr Kaye points out that floor loadings have typically been reduced by half since the late 1980s. saving construction costs and, ultimately, rent.

of weight a floor can take)

But caution and standardisation have not squeezed out is "green" and it costs little innovation altogether. Some developers are experimenting with new technology such as chilled ceilings. which are thought to be more energy efficient than traditional air-conditioning units

The Helicon development in the City of London - by

They are also designing London & Manchester, the with one eye on the tastes of life insurance company - is one of a handful of speculative schemes to include this Developers are also experi-

menting with natural ventilation - windows that open rather than sealed units with air-conditioning. Noise and traffic pollution make natural ventilation an unlikely choice for most citycentre offices. The most

notable examples are owner-

occupied buildings in out-of-

town locations. As concern among tenants for environmental protection increases, more office buildings will incorporate such energy-efficient cooling. Developers already regard

covering energy efficiency, construction process - as a sound investment on large projects. The Building Research Establishment also publishes an off-the-shelf points system against which

developers can measure the

environmental credentials of

a full environmental audit -

a new building. The consensus among developers is that environmental concerns are rarely the central factor in deciding whether a new building will let. But tenants like to be able

to take environmental issues into account during the design process. Concern for environment also fits neatly into the overall ethos of 1990s office development, less expensive

materials in a more efficient

to boast that their building



John Kay

Happy combination

If identified and used properly, core competencies can drive a uniquely successful strategy for a company

Core competencies is one of the most used and abused phrases in business strategy. Nowadays it has simply become a pretentious answer matters the debate phrase for activities - is a waste of everyone's things a business does do, or would like to do.

The disease has even struck my own company. Last week I picked up a sheet that proudly proclaimed that the competencies of London Economics include economic knowledge, business experience, analytical skills, problemsolving, industry knowledge, innovation, project management and customer

That list is a terrible muddle. It conflates the organisation's resources - its economic knowledge and business experience, with things the organisation does - problem-solving and project management, and with characteristics we need, but probably don't have innovation and customer

But it is not very different from the list generated by most companies. One business I know claimed to have no less than 43 core competencies.

The phrase "core competencies" seems to be due to a Harvard Business Review article by C.K. Prahalad and Gary Hamel It is a popularisation of what has become known over the past decade as the resource-based theory of strategy, "Resource-based theory", in turn, seems to originate in a 1984 article in the Strategic Management markets where its Journal by Bo Wernerfelt; and in turn the ideas it describes was first expounded 20 years earlier in a jewel of a volume. The Theory of the Growth of the

Firm, by Edith Penrose. I mention this history partly to emphasise that the best ideas in management are rarely the newest and also to stress that what really matters is not the words we use but the thinking that lies behind them.

whether something is or is not a core competence but unless we know why the time. We need to start by distinguishing what the

business is - the resources it has such as economic knowledge and business experience - from the things it does - like problem solving and project management. The reason is that the

main strategic question for any business is how well what it is matches what it does, and if you muddle the two you can't even begin to answer that question effectively. The resource basedtheory of strategy emphasises that each company is characterised by its own collection of resources. But in looking at these resources, the vital step in understanding the nature of the business is to draw a line between those resources which are quite idiosyncratic to that business, and those which can be readily bought in the marketplace. The Coca-Cola brand is unique to the company, but fizzy drink technology is available to anyone.

I have called this the difference between distinctive capabilities and skills, but the terms are not important: what is important is the dif-

A company needs to identify the distinctive capability is relevant, and then put together the skills to capture those markets

The reason this dichotomy matters so much is that any but the most transitory of competitive advantages has to be based on distinctive capabilities.

A competitive advantage based only on skills - those resources of the business which others can go out and buy - will quickly be eliminated. If it yields profits. others will go out and buy the same resources. So Coca-Cola's competitive advantage is based on its Coke brand, not its technol-

You can buy the skills incorporated in Marks and Spencer (others have, by poaching their employees). but you cannot attack the company's competitive advantage because you cannot buy its distinctive capabilities: its structure of relationships and its reputation with customers.

And correspondingly, when Marks and Spencer wants to apply a distinctive capability - its reputation with customers - in a new market, it can go out and buy the services skills it needs. There is no shortage of

people who know how to design a personal equity plan or process a life insurance policy. So what is needed in defining a company's strategy is to identify the markets and activities in which its distinctive capability is relevant, and then put together the skills needed to capture these markets and perform these activities.

No company will ever have 43 distinctive capabilities, it is rare for any company to have more than one or two. Sometimes it may have none at all. In that case, it is not going to have any competitive advantages and it will do well to make an average return on capital. That hard but obvious truth is often difficult to

London Economics' dis-

We can debate for ever ferent ideas they express. tinctive capability is its technical skills in economics, and an established position, especially in the recruitment market, which makes it quite difficult for others to replicate that stance. That means we should only try to sell work which could only be done by someone with exceptional abilities in econom-

> Other reasons offered for pursuing new lines of business - that market is growing, this market is very profitable, we could do it should all be rejected. Even if we could do these things if they don't match our distinctive capability we won't make money in them for long. And because it is hard to reproduce our distinctive capability. I don't mind tell ing readers of the Financial Times what it is.

When Oxford established its business school, the distinctive capability it enjoys is the Oxford brand, which immediately implies an intellectual, relatively academic, positioning; because that is what the brand conveys and that is the market in which it carries weight.

The job of its director is to put together the resources which complement the distinctive capability in achieving that market position.

For other business schools with different distinctive capabilities - or none - the strategy should be different. That is why there will never by any successful generic strategies for companies. The real competencies of companies are their distinctive capabilities and these are few in number and individual in nature. Any effective strategy is specific to the business that deploys it.

John Kay is chairman oj London Economics and director of the School of Management Studies at Oxford University



An eye on value: Daimler-Benz chief Jürgen Schrempp addresses shareholders

Wolfgang Münchau on the dominance of shareholders

To what extent should the interests of share-holders take precedence over the interests of a company's workforce? Some companies in Germany are now beginning to doubt that a policy of maximising financial returns is reconcilable with consensus-based industrial relations.

Volkswagen, the carmaker, has emerged as one of the most outspoken sceptics of "shareholder value", saying openly that "work-holder value" should carry equal weight

As part of an experiment consistent with this philosophy, employees are to receive part of their wages in "time" shares. These are not denominated in money, but in working hours. The monetary equivalent of the time shares, plus interest, is to be reinvested in the company, so that employees become quasi-shareholders.

The scheme enables workers to save enough hours to finance early retirement, buy an extra holiday or even protect themselves against redundancy in middle age. Peter Hartz, VW's personnel director, says the scheme "combines the notion of workholder value and company value. There

the past. We want both."

has been a one-sided attention to shareholder value in Labour relations have

with equal weight Saxony, which owns a de facto controlling stake of 26 per cent. Gerhard Schröder. prime minister of Lower

the next general election.

As one of Germany's most. political companies, Volks-

fatigue". But it is not alone.

man of Daimier-Benz, Ger-

many's largest industrial

limit its scope.
"Shareholder value must

not be pushed for short-term

success at the expense of

future viability and future

earnings potential. Our

future lies not only in chips,

machinery, buildings and

concepts but also in the

heads and hearts of

Jürgen Schrempp, chair-

high priority at VW. The company is one of the few companies in Germany ready in principle to guarantee jobs in exchange for Saxony and a member of greater flexibility on work-VW's supervisory board, is ing hours. At the same time, also the economic spokesmen of the Social Demothe company is believed to be overstaffed to the tune of cratic party, and a potential. some 30,000 workers. candidate to challenge Helmut Kohl for chancellor at-

Klaus Liesen, chairman of W's supervisory board, defends the employee-friendly attitude of the company and defines shareholder value as meaning "long-term" value. This differs from the Anglo-Saxon notion of shareholder value, which does not take time into account. By implication, the German definition is geared not towards shareholders in general, but towards long-term shareholders. These include the banks and, through schemes such as VW's, the workers

Volkswagen is unlike many other companies because it has one dominant investor, the state of Lower

our employees, he says, Critics could argue feat the German redefinition of shareholder value might allow companies to hide unprofitable strategies under the clock of long-Workholders termism. Doubt about shareholder

value is particularly evident. when it comes to linking executive remuneration to shareholder returns. There is broad consensus that German society is not ready for the kind of multi-million D-Mark- salaries- that are common in, for example, the US. Executive share options are relatively modest. At Daimler-Benz one board member calculated that options could earn him some DM60,000 (\$39,470) per

annum "if I am lucky". The extent to which an wagen may be an extreme, case of "shareholder-value. executive is "pro-worker" or "pro-shareholder" in Germany is also largely determined by labour law, which sets out the relationship between companies and group, may be an energetic advocate of shareholder value but he is also keen to their workers in great regulatory detail.

Overall, there is a great deal of scepticism in German boardrooms about pureshareholder value. The chief executive of another large. industrial group in Germany said privately that he could not survive in his job if he pursued a releptiess shareholder-value cam-

e-made lightly. It takes a will to succeed, ited to offering a better service, based on Just saying it isn't enough. We prove it's true every day. With offices in 23 countries on recone of the ten largest insurers worldwide. we are the third largest insurance group resources, that will also help us achieve our

A great artist at the peak of his powers:

wo Russian artists

Juliet to life on

when MacMillan's staging

House: Irek Mukhamedov as

Remeo and Viktor Fedotov

The rest of the Royal

round Mukhamedov,

performances had the dégagé air of being

though certain

sincere, too small-scale to

playing).

Ballet milled industriously

registering group emotion.

telephoned in from nearby

was Juliet, sweet, tender,

make much impression

beside the blaze of

score (aided by very

responsive orchestral

Mukhamedov's

call-boxes. Miyako Yoshida

interpretation, and missing

the fine fevers and tensions

Yet if the evening was

off-balance, how grand the

whom we admire from his

of Prokoffey's score,

tight rein (the action

quick-stepping but not

hurried), refreshing its

every bar for us. Not for

years, perhaps not since

Ynry Fayer led the first

Bolshoi performance in

1956, have I heard the final

scene sound so sonorously tragic, nor the orchestra's

playing so admirably taut.

Mukhamedov's way. Here is

a great artist at the peak of

his interpretative powers.

From his early moment on

stage, kneeling at Rosaline's

Fedotov's way is

years with the Kirov Ballet,

plunges to the Russian heart

showing us its characteristic

energy and sharp sonorities,

driving its rhythms on a

and this conductor. Fedotov,

rewards from this Romeo

returned to the Opera

Wednesday night

brought Romeo and

irek Mukhamedov, with Miyako Yoshida

Ballet/Clement Crisp

Romeo speaks

from the heart

feet, arms ardently

extended, we meet the

passionate, headstrong

young man who will be

impetuous love (which is

MacMillan's theme). For

Mukhamedov, every action

is alive with feeling, and so

it is for us. (How piercing

market-place when he has been blessed by the priest

and prays - we know he

prays - for this blessing on

The character is whole, real

movement that speak from

the heart to the heart. This

is Mukhamedov's way with

every role, be it his supreme

Basilio in dear, foolish Don

Quizots (albeit the Royal

production defeated him).

unrivalled in the world in

leaner than heretofore, with

a boyish ardour for Romeo

gave an unflawed account of

It was also a pleasure to

see Justin Meissner leading

showing us a pironette that

wonderfully on. But I wish I

with torches and long frocks

and a boyish haircut - he

the character. It is a

the mandoline dance:

went on and on and

bright, high-flying, and

understood the two total

who lurk outside Palazzo

Capulet by night: they

hours before.

should have been in bed

privilege to see him

dance.

my experience. Looking

drawn in lines of vivid

Albrecht or his loyous.

Ballet's disestrous

He is the greatest dance-actor of our time.

loving Colas, or even his

othing is without

emotional and

physical logic.

reason. or

swept up in Juliet's

the moment in the

his own marriage).



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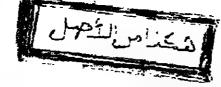
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and the said

Exercises and a second

-Carolitable Charles (36 clear C)



Encore for sopranos from Sofia

David Murray reviews rare operas by Meyerbeer and Donizetti at the Wexford festival

eyerbeer's was worth reviving at Wexford, both for historical reasons - it is one of those once-famous, now utterly neglected operas by a composer of some note - and because it offers a rich range of roles for showing off Wexford's latest singing discov-eries. The trouble is not so much that the "plot" is a load of old cobblers, though it is; rather, that Meyerbeer's score is irredeemably second-rate from start to finish, without one really imag-

inative number to enliven its interminable length. There are tunes aplenty, most of which we seem to have half-heard before, and

the vocal writing is grateful. The orchestration is expert and varied - probably less insistently loud than Wladi-mir Jurowski made it sound from the pit (the band is just the ordinary early-19th-century size, plus trombones), though he gave it a welcome thrust. Not a vital spark in any of it; it is the kind of score that gives "professionalism" a bad name.

Meyerbeer patched It together from his earlier Ein Feldlager in Schlesien, a silly fiction about the flute-playing Frederick the Great, For L'Etoile he kept the flute but passed it a half-century back to Peter the Great, an unlikely flautist, and swapped Silesia for Finland. There Peter, disguised as a

carpenter, meets Catherina.

a vivandière (what would 19th-century opera have done without vivandüres?) and they fall in love,

After many arbitrary vicissitudes and the statutory mad scene - it is a measure of Meyerbeer's originality that he accompanies his soprano there not with a flute, but with two flutes: it sounds like his teacher Clementi on an off-day - they are reunited, and Peter makes her his Empress. Charming Elizabeth Futral sang her brightly, with winning assurance and panache; Vladimir Ognev's Peter suggested a basso cantante on old records, with throt-

tled intensity and a very fast into exacerbated drama, Obedient to the deterwithout any great new minedly lusty style of Denis

else mugged and pranced a lot. As Catherina's brother George, Juan Diego Flórez displayed a well-formed eleally - just the right voices. gant tenor, and his fiancée Darina Takova a warmly expansive soprano. Christo pher Maltman's pop-eyed corporal Gritzenko and Aled

tone and a secure high tenor) tell through the clowning. Donizetti's "lyrical trag-edy" Parisma (1833), after Byron, was a brave gamble for Wexford. With it the andrina Pendatchanska composer took a new step / sounded like a great artist in

sophistication in his musical

Hall's near-pantomime patis-

sier Danilowitz managed to

make their cultivated voices

(respectively a stirring bari-

Krief's production, everyone construction or his harmonies; the expressive art lies in the vocal lines, which require principals with considerable artistry and - ide-

> oberto Serville had most of the weight. if not yet the black depth of tone, for Azzo, the brutal Duke of Ferrara, suspicious that his second wife Parisina loves another. As Ugo, that other, Amadeo Moretti was stylish and forceful (he proves to be the Duke's own son, but Azzo murders him anyway), And as poor Parisina, Alex-

the making an astounding

liantly used, unerring tech-

nique and subtlety, dramatic power beyond her frail pres-

Sterling support from Daniela Barcellona's rich, consoling soprano and Richard Robson's noble bass (he lent fine gravity to the High Priest in Sarka, too). Maurizio Benini was the knowledgeable, perceptive conduc-tor: Stefano Vizioli's tor: Stefano Vizioli's production, in Ulderico Manani's stark designs, was a model of simple, old-fashioned tact. Incidentally, Pendatchanska, Takova and Vassijeva (in Sarka) are ali from Bulgaria: can Sofia be

Parisina in repertory at Wexford until November 1. range of vocal colour bril-

L Etoile until the 2nd.

the new powerhouse for

sopranos now?



Honed 'Hamlet'

other things, a revenge tragedy; and Michael Maloney, London's latest Hamlet, is one of our theatre's natural revengers. He has burning dark eyes of great intensity, and, whether he is still or restless, his whole nervous system is febrile. He seems, too, both noble and intellectual, his voice is handsome and eloquent, and he has considerable

Shakespearian experience. He has other accomplishments also - and this is, ironically, why his Hamlet disappoints. The accomplishments get in the way of the interpretation. They are especially apparent in vocal terms. Those people who say that modern actors do not know how to speak Shakespearian verse any more should be sent to hear Maloney. He delivers one entire sollloquy in an intimate mezza voce: elsewbere, he jumps from fortissimo to pianissimo and back again; he strings together three sentences in a single breath; he employs both basso and tenor tones; he employs marvellous legato, sometimes turning it into true cantilena; and he is one of those rare actors whose diction is so heautiful that he seems to make the simplest vowels and syllables

Alfredo Kraus" As with Kraus, everything Majoney does is expressive. His is not technique for technique's sake. I was never bored in watching or bearing him, and there were moments of great interest. In the last half of "To be or not to be", he

unique events. I notice, too, that

his one technical flaw - shallow

(and noisy) breathing - has been

cured. If he was singing Werther I

would cry "Bravo!" and "Not since

amiet is, among so hangs his voice's softest tones in the air that I truly felt caught up into the inner workings of his mind. And the way be then, seeing Ophelia, murmurs "Nymph, in thy orisons Be all my sins remember'd" - like an inward prayer - is matchless. But everything is too honed. I felt as if I were seeing not Maloney's first Hamlet but his hun-

dredth. This is a modern-dress Hamlet, and it is admirable how Julian McGowan's costumes almost never draw attention to themselves. (The exceptions are the over-tattered sweater Hamlet wears when mad north-north west, a loud checked suit Gertrude wears on first appearance, and Ophelia's most improbable colour-scheme during the play scene.) McGowan's set is even better, for without actual scene-changes it skilfully comprises a variety of different spaces the ramparts, the court interior, the graveyard - each of which Chris Clay's lighting adeptly reveals.

The director is Philip Franks, He draws from his cast some nice minor insights on the one hand (notably from Gertrude, Polonius, Rosencrantz, and Guildenstern) and some over-demonstrative acting on the other (notably from Laertes, and - as usual - in Ophelia's mad scenes). The text is cut to play at three hours and ten minutes. The boring Claudius of George irving simply will not do; but, in the light of recent disclo sures, it is incidentally amusing that he and Gertrude (Dinah Stabb) somewhat resemble Harold Pinter and Joan Bakewell.

At Greenwich Theatre to Novem-



Intense, expressive and eloquent: Michael Maloney in the title role

Alastair Mui

he South Bank is running a considerable parade of "American independents". That opaque label is meant for those American composers who have preferred not to pur-

sue the lines of European art-music, old or new, but something quite distinct: whether it be the manners of American jazz and pop. or of the Pacific borders (oriental as well as occidental), or "systems" music or minimalism, or radically non-systematic music like John Cage's, or - as often as not ~ some heady melange of those.

They are not independent of each other, not by a long way. Inspiraion came variously from old Charles Ives, from Henry Cowell and Colin MacPhee, then from Cage and Steve Reich; many

schools and groupings stem from those disparate originals. Among the "post-minimalists".

the non-purist descendants of Reich & co., the most publicly successful of all is nowadays the eclectic John Adams (he of Nixon in China). On Saturday, the London Sinfonietta had him as guest conductor.

He proved to be a precise and sympathetic conductor, not only of his own music but of other people's. We heard the premiere of his Gnariy Buttons, a clarinet concerto which exercised Michael Collins' powers in wild elaborations on a 19th-century hymn, a cheerful

Yuko Inque, Duncan McTier

viola-player, double bass-player

Auditorio Nacional de Música

London Symphony Orchestra:

with conductor Riccardo Chailly

and soloists Katarina Dalayman

and Gudion Oskarsson perform

The Chamber Music Society of

works by Schoenberg and

Wagner; 10.30pm; Oct 26

■ NEW YORK

Lincoln Center: with artistic

director David Shifrin and the

Emerson String Quartet perform works by Haydn, Brahms and

Edgar Meyer, 5pm; Oct 27, 29

Orchestre Symphonique de

Montreal: with conductor Charles Dutoit and cellist Han-Na Chang

perform works by Dvořák, Haydn

Alice Tully Hall Tel:

1-212-875-5050

Carnegie Hall Tel: 1-212-247-7800

and planist perform works by Bottesini, Beethoven and

and Kathron Sturrock: the

Hawkins; 7.30pm; Oct 28

MADRID

Tel: 34-1-3370100

CONCERT

CONCERT

(7.30pm)

"Hoedown (Mad Cow)" and a tender pop ballad. The workings-out came closer to pure minimalism than we have heard from him in some time: so too in Road Movies, a recent violin-and-plano duo which Clip Gould and John Constable dispatched in cool style.

Americans call the tune

therwise, Adams took the Sinfonietta brightly through Lou Harrison's Pacific pentatonic Concerto in Siendro ("slendro" being the Indonesian label for a five-note mode) and two funky Frank Zappa sketches, Also Michael Gordon's Yo Shakespeare (cross-rhythms,

slightly anodyne), and Javier Alvarez's Quemar las Naves which showed less definiteness-ofintention than one expects from Alvarez, though he conjured some lovely, aqueous sounds from odd instrumental combinations.

Finally we had an instrumental suite from Adams' recent I was Looking at the Ceiling and Then I Saw the Sky, an L.A. "earthquake romance" for seven singing actors and a justy little band - something like updated Bernstein, and sensationally effective.

The Sinfonietta audience loved it, as did previous audiences in Edinburgh and Helsinki; somebody

must stage the complete show in London.

An "American independent" in another sense is the opera-singer Kurt Streit, who gave his first solo recital here - Schubert, Brahms. Roussel and Vaughan Williams at the Wigmore on Friday, with Irwin Gage at the piano. With his tall, rangy frame, it seemed natural that he should confine his expressive histrionics, like Robert Mitchum, to just "pointing his suit". But it was astonishing - and a great pleasure - to hear the high, elegant, cut-glass tenor emerging from that frame: pure European style, in excellent German and French, and quite un American English for VW's Songs of Travel.

D.M.



ANTWERP

CONCERT Koningin Elisabethzaal Tel: 32-3-2024578

 Czech State Philharmonic Orchestra of Brno: with conductor Leos Svarovsky and cellist Michael Kanka perform works by Vorisek and Dvořák; 8.30pm; Oct

BERLIN

CONCERT Philipproces & Kammermusikssal Tel: 49-30-2614383 Berliner Philharmonisches Orchester: with conductor Kurt Masur and planist Helen Huang perform works by Britten,

Beethoven and Mendelssohn;

8pm; Oct 27, 28, 29 COLOGNE

CONCERT Kölner Philharmonie Tel: 49-221-2040820 Die Schöpfung: by Haydn.

Performed by the Barockorchester the manipulation of her materials. des Kölner Bach Vereins and the Chor des Kölner Bach Vereins, conducted by Winfried Toll; 11am;

Opernheus Tel: 49-221-2218240 Le Nozze di Figaro: by Mozart. Conducted by Alicja Mounk. performed by the Oper Köln. Soloists include Joanna Kozlowska, Iride Martinez and

Andrzej Dobber, 4pm; Oct 27 COPENHAGEN DANCE

Det Kongelige Teater Tel: 45-33 69 69 69

 Swan Lake: a choreography by Peter Martins to music by Tchaikovsky, performed by the Danish National Ballet, 7.30pm;

DUSSELDORF EXHIBITION

Kunstmuseum im Ehrenhof Tel; 49-211-8992460 Bertram Jesdinsky: exhibition featuring works by the painter. sculptor and film-maker, who died in 1992. The display includes

large-scale paintings, sculptures,

films and video works; to Oct 27

drawings, collages, installations.

■ INDIANAPOLIS EXHIBITION

Indianapolis Museum of Art Tel: 1-317-923-1331 Claudia Matzko: conceptual artist Claudia Matzko creates an installation for the IMA. Through

Matzko reflects on the way people communicate and perceive themselves in the world; from Oct 26 to Dec 22

LAUSANNE DANCE

Théâtre de Beaulieu Tei: 41-21-6432211

 Carmen: a choreography by Antonio Gades and Carlos Saura to music by Bizet, Penella and Lorca, performed by the Antonio Gades Company. Soloists include Stella Arauzo, Antonio Gades, Candy Roman and Juan Alba; 8pm; Oct 26, 27 (6pm)

LONDON CONCERT

Barbican Hall Tel: 44-171-6384141 London Mozart Orchestra: with conductor lan Watson, soprano Eirian Davies, tenor Adrian Thompson and trumpeter Crispian Steele-Perkins perform Handel's The Arrival of the Queen of Sheba, The Water Music and Music for Royal Fireworks; 8pm; Oct 26 Royal Festival Hall Tel: 44-171-9604242 Moses und Aron: by Schoenberg, Concert

and Respigni; 2pm; Oct 27 performance, conducted by Christoph von Dohnanyi and Metropolitan Opera House Tel: performed by the Philharmonia Orchestra and the London Voices. 1-212-362-6000 Rigoletto: by Verdi. Conducted by Carlo Rizzi, performed by the Soloists include Philip Langridge, Aage Haugland and Cecile Eloir; Metropolitan Opera. Soloists 7,30pm; Oct 27 include Swenson, Livengood, Wigmore Hall Tel: Lopardo and Pons; 8pm; 44-171-9352141

Oct 26

PARIS EXHIBITION

33-1-44 78 12 33 Paul Facchetti: exhibition devoted to the work of Paul Facchetti (b. 1912) who was active as a photographer in Paris in the 1940s and 1950s; to Jan 6

Centre Georges Pompidou Tel;

THEATRE Festival d'Automne Tel: 33-1 42 96 96 94

 La Maladie de la mort: by Marguerite Duras. Directed by Robert Wilson. The cast includes Lucinda Childs and Michel Piccoli. Performance at MC 93 Bobigny, as part of the Festival d'Automne; 8.30pm; Oct 25, 26, 27 (3.30pm)

SAN FRANCISCO

CONCERT Louise M. Davies Symphony Hall Tel: 1-415-864-6000

 San Francisco Symphony: with conductor Michael Tilson Thomas perform excerpts from Prokofiev's Romeo and Juliet; 7pm; Oct 27

STRASBOURG EXHIBITION

Musée des Beaux-Arts & Arts Decoratifs - Palais Rohan Tel: 33-88-52 50 00 De Grotto à Canaletto: exhibition of Italian paintings from the museum's collection. Alongside these paintings, works are shown by French, Spanish,

travelled or settled in Italy. Artists represented in the exhibition include Raphael, Veronese, Cima da Conegliano, Salvator Rosa, Canaletto, G. Domenico Tiepolo and Giotto: to Oct 27

Sotheby's Tel: 61-2-3323500

German and Dutch artists who

SYDNEY AUCTION

 Fine Tribal Art and Aboriginal Bark Paintings: each year Sotheby's Australia holds one auction devoted to the sale of works of tribal art from the Pacific Rim, Africa, Melanesia and Australia. The core of this year's auction is the sale of selected works which have been consigned from the Glenbow Museum in Canada, and more than 600 oceanic works of art from the Christensen Fund which were acquired more than 30 years by the late Alan Christensen; 2pm; Oct 27, 28 (6pm)

■ WASHINGTON

CONCERT Concert Hall Tel: 1-202-467 4600 Wiener Symphoniker: with conductor Rafael Frühbeck de Burgos and pianist Rudolf Buchbinder perform works by Mozart and Beethoven; 8,30pm;

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CNBC: 08.30

Squawk Box

10.00 European Money Wheel

Financial Times Business Tonight

Philip Stephens

A way with words

Redefining criteria for 'first wave' entrants to monetary union could buy Britain more time to make its decision

in politics. But sometimes words count for more, ners are prepared to waive Clever language might yet that clause in the Maasoffer a partial escape route from Britain's agonising proven track record in the exchange rate mechanism. choice over whether to participate in a single European currency.

No one doubts that the decision will be one of momentous consequence. It will shape the economic future. It will also chart the nation's course in world affairs. Ultimately, politics will weigh more heavily tion in Britain. than economics. For that reason, if economic and monetary union works. Britain's answer will be yes. Eventually.

This last caveat is important. A successful Emu would define the political core of Europe, Westminster's politicians would not be content to stand indefinitely on the periphery. Too many pretensions are at stake. How long otherwise would Britain retain a permanent scat on the United Nations Security Council. or its privileged place within the Group of Seven indus-

But both the politics and the practicalities weigh against signing up for January 1 1999. The political obstacles are well known. A re-elected Conservative government could not take such a decision without tearing itself asunder. If Tony Blair replaces John Major in 10 Downing Street. he will have other, more pressing, priorities. Labour's shadow cabinet is divided. Mr Blair knows that rushing into a single currency would be a fright-

ening gamble. Then there are the practical obstacles. I wrote about these earlier in the summer. Since then, there has been much confusion and deliberate misinformation. So it is worth setting out in some detail the relevant legislative hurdles and the deadlines. All these assume, of course, that Britain meets

the economic convergence criteria and that its parttricht treaty demanding a

Curiously, if the government did decide to scrap the Maastricht opt-out, there would be no requirement for a "bill to abolish sterling". Instead. European law, substituting the euro for national currencies. would have direct applica-Parliament's debate on

the substance of the deci-

sion would flow from one of the provisions of the Maastricht Act. This requires a separate decision by parliament before the government notifies its intention to join a single currency. The expert view in Whitehall is that the legal provisions for a referendum would probably be tacked on to this legislation. Like Mr Major, Mr Blair is committed to a plebiscite unless Labour says at the general election it intends to join Emu.

Careful scrutiny of the treaty has persuaded the experts that, formally at least, the notification measure would have to receive parliamentary assent by January 1 1998. The protocol enshrining the British optout requires that it waive its exemption by that date if

government needs time to make a more considered choice . . . The right thing to do is to keep the options open

The next

bloc a year later.

The other main legislative requirement is the grant of independence to the Bank of England (including the transfer to the Bank's ownership of a substantial proportion of, if not all, foreign exchange reserves). A separate provision in the treaty prohibiting the monetary financing of government debt demands reform also of the legal framework governing the Bank's money market operations. The experts are agreed that the latest deadline for these two changes is July 1 1998, the last possible date for estab-

central bank. It is this timetable for legislation which would demand an almost instant decision from the winner of the general election which Mr Major intends to hold next spring. Of course, the dates are not set entirely in stone. If an incoming government showed itself in deadly earnest, its European partners might well grant it some leeway.

lishment of the European

One could imagine, for example, the notification deadline slipping from January to March 1996, the point at which EU leaders will decide how many other countries qualify. If the whole project were delayed by, say, six months, the British timetable could be similarly adjusted. And the Treasury is already drawing up plans to give the politicians as much time as possible. It is obvious, though, that if Emu proceeds according to plan, the British government will have to make up its mind before the end of 1997 and, almost certainly, many months before.

It was this tight schedule that persuaded me that the two main parties could no longer pretend that the single currency was an issue for the dim, distant future. By the time the election is fought, the voters will

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it wants to join the euro Major and Blair, if not a definitive answer, an honest

expression of intent. For the Tory Eurosceptics (and for some cabinet minis ters who might have been expected to know better), there is an obvious answer. Since there is no prospect of Mr Major deciding in favour next year, he should say now that a Conservative government would keep sterling at least through the lifetime of the next partiament. In practice, that would mean forever. As for the sceptics in Mr Blair's party, they would like him to say that Britain will not be in the first wave, even if it reserves its subsequent position.

It is here we come to the capacity of language to redefine the options. Hitherto the "first wave" has been taken to refer to those countries which lock their exchange rates from January 1999. For reasons unconnected with Britain, that definition is already being shaded. Germany is alarmed at the resolve of Italy, Spain and Portugal to be in the vanguard. The political will in these "Club Med" couptries is in inverse proportion to their potential to meet the economic convergence criteria.

There is a way out. The first wave might be redefined to include all those countries which join Emu between 1999 and 2002. Only at that latter date, after all will euro notes and coins physically replace national currencies. The Club Med countries would spend another year or two adjusting their economies in return for a guaranteed place before 2002.

Britain should back this strategy with every ounce of its remaining influence in Europe. The next government needs more time to make a more considered choice. To that extent, sympathise with the politicians. The right thing to do rightly demand of Messrs is to keep the options open.

Translation may be available for letters written in the main international language

LETTERS TO THE EDITOR Number One Southwark Bridge, London SEI 9HI We are kein to encourage letters from readers around the world. Letters may be faired in 44 171 873 838 to fine'), email letters editors from Published letters are also available on the FT will after into 1886.

Moves by Italy to meet Emu criteria no 'one-year wonder'

From Mr Paolo Galli. Sir, In its evenly balanced comments on Emu perspectives, your newspaper has recently Italy - and other "Club Med" countries - face "in demonstrating that next year's budget cuts . . . are more than one-year

I readily acknowledge that what the Italian government is trying to do is difficult and will entail a considerable effort from the Italian economy. Let me mention, however, some lements which point to the fact that keeping in line after 1998 is not impossible.

The data referring to inflation (from 6 per cent in July 1995 we aim to reach about 3 per cent at the end of 1996), to government

deficit (which should be about 3 per cent in 1997 and 2.9 per cent in 1998), show that the tendency towards meeting the Maastricht criteria is constant. Primary surplus (more than 4 per cent in 1996, and growing) shall guarantee that the deficit criterion is respected, as soon as interest rates are reduced. And, with monetary union, this

reduction is automatic. In 1997 we aim to quicken the pace of an ongoing process which will inevitably continue: we will try to obtain in the course of that year what originally we thought of doing in 1997-98 and fill the temporary gap in the deficit deriving from the delay of the year in aligning interest rates with Europe.

May I also point out that some other "non-Maastricht" parameters used in gauging a country's economic

performance are in the case of Italy significantly better than in many of our European partners. For example, it is often overlooked that the Italian overall debt, the importance of which I do not deny, is ... largely financed from . internal resources, in a country which has the second-highest saving propensity among the G7 countries. Add to this the high level of the balance of payments and the recent improvements in the Lira/

D-Mark exchange rate. In conclusion: the situation is no doubt difficult, and requires sacrifices, but is far from

Paolo Galli, ambassador. Italian embassy, 4 Grosvenor Square London W1H 9LA, UK

WTO must face issue of labour standards

From Mr Neil Kearney. Sir, Alasdair Smith of the Sussex European Institute (Letters, October 23) does not seem to be following the debate on linking trade and labour standards through the World Trade Organisation. If he was, he would see that the main pressure for action is now coming from workers in developing countries, particularly children and young women who have been the biggest victims of the exploitation riding onthe back of unregulated globalisation. Governments around the

world are notoriously unresponsive to the abuse and maltrestment of these workers, especially in the garments and footwear sectors. Fortunately, consumers in the industrialised world are pushing the leading retail chains to clean up their act. by outlawing rights abuses. including child labour, by

their suppliers. But, securing respect for internationally agreed labour standards should surely not be entrusted to nnilateral action by individual retailers over which the international community has no influence

or control Responsible governments everywhere should now be demanding that the WTO faces this issue head on and establishes a working party charged with examining the relationship between trade and core labour standards and providing the WTO with a steer for the future.

Neil Kearney, general secretary, International Textile. Corment & Leither Workers' Federation. rue Joseph Stevens 8, B-1000 Brussels, Belgium

tion. Second, he probably

hopes to negotiate a better

deal for his television empire

at a time when parliament

will have to approve an anti-

tions. Without admitting the

existence of a specific agree-ment, the leaders of the two

main political parties are

giving each other friendly

Another condition, how-

ever, is required. To reform

the constitution with the

help of Berlusconi. D'Alema

must persuade his friends

that the country can live

with two distinct majorities

ments of the government,

the other for constitutional

reforms. In other words, the

leaders of the Rifondazione

Comunists and the Pertito

Popolare must accept the principle that D'Alema can be their friend in the govern-

- one for the daily require:

trust law on telecommunic

focused on the obstacles that wonders" ("A deficit of credibility", October 21).

Sad end to Dole's career Uncalled for

Sir, The savings offered by unoitusinummoosist companies on international phone calls through the callback services ("Call up for savings", October 22) are indeed considerable - but come at a hidden price. When I first started to use such a service, I was impressed by the quality and even more by the bills. Over time, the quality deteriorated and repeated complaints failed to secure an improvement.

Even worse were the persistent "ghost" calls in the middle of the night. I changed to a new service and the first night I was woken yet again. Until this problem can be ironed out, I shall continue to opt for dearer calls and quiet nights

Roger Dean, SS Bernalsteenstraat. 1970 Wezembeek-Oppern,

by redirecting the agenda, or From Mr Daniel Goncharoff. to ride the tide while waiting Sir, Michael Prowse attempts to make "The case for chances to moderate the for Dole" (October 21), citing more extreme points on the both Dole's personal agenda, was perceived as negative and weak.
Indeed, it handed to struggles and his political talents. Unfortunately President Clinton the

Prowse fails to see what the American people instinctively feel – that Dole is a conciliator, not a leader. While a master behind closed doors, he is unable, and perhaps too principled, to reduce the complicated ues that confront the nation into simpler concepts with a clear direction.

Dole revealed his

character during the fight over the "Contract with America", when he crushed the growing momentum of a more conservative Republican agenda with which he could not agree, rather than working to adopt some more palatable version he could call his own. His unwillingness either to lead

aspects of the agenda that were appealing to the: electorate, despite the entagonism of many elements within the

Democratic party.

opportunity to step into a

void and make his own those

Now Dole endorses many policies he fought against in an attempt to turn voters' heads. A sad end to an otherwise illustrious career. If only Dole could now ceds victory in exchange for his old job. That would be the best result for the country and for Dole.

Daniel Goncharoff. Aystettstrame 6. Frankfurt, Germany

Europa · Sergio Romano

Risky road to reform

gambling on a deal with his former enemy to change Italy's constitution



This is the latest Italian paradox. Two years ago, the most interesting and prom-ising figure of Italian politics

was Silvio Berlusconi, a fiercely anticommunist media tycoon who created a new political party, Forza Italia, scored a remarkable success at the 1994 national elections and

became prime minister. Two years later, the most interesting and promising figure of Italian politics is imo D'Alema, leader of the PDS (the Democratic Party of the Left) which Berhad soundly defeated. D'Alema is a former communist, known for his Stalinist youth and strictly orthodox party line. But he has become an imaginative and courageous reformer. This is not all. The enmity and rivalry between D'Alema and Berlusconi have been replaced by a constitutional pact for changing the Italian political system. This remarkable double somersault demands some expla-

D'Alema has won the elec-tions as the *de facto* leader of a centre-left coalition. Without the organisational and logistical support of the PDS, the so-called Olive Tree coalition could have never defeated the centre-right alliance between Berlusconi's Forza Italia and Gianfranco Fini's Alleanza Nazionale.

But the leader of the winning party could not become the leader of the country because the members of the coalition had agreed before the elections that the prime minister, in the event of victory, would be a catholic economist, Romano Prodi, former president of Iri, the large industrial state holding. Since then, D'Alema has understandably been working to make sure that this will not happen again. His main objective is the transformation of the PDS into a larger, more flexible social democratic political force.

s Tony Blair, leader of the British Labour party. The former Stalinist seems to have understood much better than some of his party's comrades that Italian society has undergone radical changes and that a "party of the working class" cannot attract the "bourgeois" votes needed to win the elections. This transformation of the former communist party the second since the fall of the Berlin wall - should take place at the party conference

next spring.
D'Alema's project, however, will only work within a new political system. To become the leader of the centre-left and prime minister, he needs a constitutional framework that concentrates votes in two political forces and gives the leader of the winning one the undisputed

right to govern.
To achieve what may be called the "anglicisation" of Italian politics, the country probably needs a new electoral law more clearly based on the first-past-the-post principle, the direct election of the prime minister and a much stronger executive. D'Alema thinks this can be achieved by a parliamentary commission on the constitu tion, formed by an equal number of deputies and senators. The law establishing the commission will shortly have its second reading.

It is almost certain that ission will be oper-

His model, smong others, stional by the end of the in which he will presumably year. It is far from certain. however, that its passage will be smooth and uneventful. D'Alema's political projects are strongly opposed by most of the forces which make up the Olive Tree coalition. The leaders of the Rifondazione Comunista (a rib from the left side of the old communist perty) know that their movement would disappear and that, in D'Alema's new political force, they would play the role of Tony Benn and other leftwingers in the British

Labour party.
The leaders of the Partito Popolare (a rib from the left side of Christian Democracy) know that they would be reduced to a role not unlike that of the leaders of the peasants' parties in the popular fronts of satellite countries during the Soviet era. Romano Prodi himself has no stake in D'Alema's project. If the leader of the PDS succeeds, Prodi will have to abandon, sooner or later, the job of prime minister and probably renounce his political ambitions.

Faced with many enemies, most of them in his own camp, D'Alema has turned to Berlusconi for an alliance, and has found an apparently sympathetic ear. The leader of Forza Italia has two good reasons to accept his enemy's offers. First, he is equally interested in reforming the political system and creating a bipolar democracy

ment and their adversary in ... the constitutional commis-Will they accept? The leaders of the Rifordazione Comunista have already intimated that they will not and that they may withdraw their support for the govern ment. D'Alema seems to think that they will hesiste before causing the collapse of the first Italian govern ment since 1947 in which their former comrades from the communist party hold positions of power. But his assumption may

turn out to be wrong. No party likes to agree to a deal that will eventually prejudge its future. D'Alema copae quently may soon be faced, with a choice of either accepting the fall of the Prodi government as the consequence of his constit tional deal with Berluscon or agreeing only the less important reforms to which the other parties of the Olive Tree are ready to subscribe.

One way or another; has

will be at the crossroads of Italy's political future. He may emerge from the situa-tion as a national leader of lose his bet and join the catalogue of prominent yea. ple who tried and failed in Italy's endless constitutional

The outhor is a historian and columnist for La Stampa, the



Prominent figures: D'Alema (left) and Berlusconi

September 1996

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10 gg

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100000

Ireland: can the magic last?

1960 51 52 53 84 85 85 87 86 80 90 91 92 93 94 95

Irish unemploymen

rate (% of workforce)

ate (% of worldorce

... but unemployment persists

Rapid economic growth . . .

in real GNP (%)

語 EU annual inch

Robert Chote asks whether the Irish can maintain growth and keep the lid on inflation as they prepare to join the single currency

shops of Grafton Street and the trendy restaurants

ple enjoying the fruits of ireland's economic miracle. But in areas such as Darndale, to the north of the city, a drug culture thrives and many depend on welfare payments and the black

This contrast between rich and poor has been brought into sharp focus by the economic renaissance Ireland has enjoyed since the late 1980s. After failing for decades to narrow the income gap between itself and richer competitors, over the past three years Ireland has seen its economy grow three times as strongly as the rest of the industrialised world. The surge shows no sign of flagging: healthy consumer spending and strong investment

have enabled the economy to grow at an average of 7.5 per cent in 1994 and 1995, but inflation is running at less than 2 per cent. In an attempt to maintain this combination, the government and trade unions are discussing a

new national pay agreement to replace the Programme for Competitiveness and Work, which expires this year. Most observers believe a deal delivering pay restraint is essential to keep growth on track, although some fear that renewing the incomes policy will make wages too rigid as Ireland prepares to join a single European currency.

10

lin, has his doubts.

ing activity in a virtuous circle.

But can it last? Professor John

O'Hagan, of Trinity College, Dub-

as a proportion of gross domestic

product but only because the

economy is growing very

strongly," he says. "What hap-

pens when growth slows from its

current remarkable rates? I fear

we are making spending commit-

A cabinet committee met ves-

terday to discuss spending, which

some ministers describe as "can-

cer-like". Excluding capital pro-

jects and after inflation, govern-

ment spending has risen by 4.75

per cent a year during the 1990s.

cent a year and the cost of servic-

ing the government's debt has

fallen from 7.7 per cent of GDP to

about 5 per cent. The Department

year of 2.3 per cent of GDP, below

whether rapid economic growth

can be maintained. One problem

will get less money in coming

years from the European Union.

During the 1990s, the EU has con-

tributed more than 5 per cent a

At least there is no sign of the

upswing hitting the inflationary

buffers, Inflation averaged 2.5 per

cent in 1994 and 1995 and should

its budget forecast.

year to Ireland's GDP.

The budget deficit has

ments we cannot bonour.

"Public spending is not rising

For most countries, high budget delicits are the biggest barrier to participation in a single currency. The Maastricht treaty specifies applicants should borrow no more than 3 per cent of gross domestic product in 1997. While many are struggling to achieve this, Ireland has man-

aged it for the past eight years.
"The scare Ireland got in the 1980s produced a cross-party consensus in favour of low government borrowing," says Mr Terry Baker of Dublin's Economic and Social Research Institute, recalling the slow growth and lax budgetary policies of the late 1970s that left the Irish government borrowing 20 per cent of GDP in 1981 and its debt topping 120 per

cent by 1986. This proved a watershed. The governing coalition collapsed as Mr John Bruton of Fine Gael. finance minister at the time and now prime minister, proposed spending cuts that were unacceptable to his coalition partners. Fianna Fáil, which formed a minority government after campaigning against the coalition's Thatcherite" policies, promptly introduced a budget even more draconian than Mr Bruton's.

This budget, helped by an amnesty on unpaid tax, which raised 17 times more revenue than the Department of Finance expected, cut government borrowing by two-thirds between 1987 and 1988. Economic activity and tax revenues benefited from an upsurge of consumer spending in the UK - Ireland's closest trad ing partner - as well as cuts in interest rates and improved com-

stay less than 2 per cent this petitiveness following a devaluation of the Irish punt. year. The central bank is nervous about rising house prices and mortgage credit, but this reflects Arguably, this laid the foundations of the present strong ecoconcern about the lending polinomic performance. Continued low deficits have cut the debt-tocies of banks and building societ-GDP ratio to barely 80 per cent, ies rather than a fear that buoying interest rates and boostancy in housing will spill over

into other prices. Ireland's economy is so open to foreign trade that its inflation rate is largely determined by the exchange rate and inflation overseas.

Mr Mark Fitzgerald, managing director of estate agents Sherry Fitzgerald, calculates that house prices in Dublin have risen by 15 per cent this year and by rather less elsewhere. He dismisses fears of a property market bubble, arguing that prices are merely recovering from recent weakness and reflecting the health of the economy: "You can see it walking down Grafton Street. Educated young people are driving the economy and

spending money.

he Organisation for Economic Co-operaremained low because real tax revenues have grown by 4.5 per tion and Development has warned that inflationary pressures of Finance expects a deficit this Irish output is probably above the "potential" level consistent with stable inflation - the only The outlook for the public industrial country bar Norway in finances will depend in part on this position. But potential output is difficult to measure in Ireland because emigration and is that Ireland's success means it immigration help the labour force adjust to changing demand.
And multinational companies locate there to exploit low corporation tax rates, rather than because Ireland is short of indus-

> Ireland has long attracted foreign direct investment, notably in chemicals, pharmaceuticals, computer hardware and software. This has helped factory production to grow strongly over the past couple of years, while consumer spending has boosted the domestic service industries. International Business Machines. the computer maker, already

up or expand existing Irish operations. In 1994, overseas companies provided 44 per cent of lreland's factory jobs. "The presence of so many multinational corporations creates enormous statistical problems,"

and plans to establish a customer

support centre in Dublin. Oracle

Corporation, Hewlett-Packard

and Gateway 2000 have all

recently announced plans to set

... restrains government borrowing

■ Insh budget defica as % of GDP

E EU budget defic

... as profits flow abroad

GNP at constant

employs 1,000 people in Ireland more than compensate, Mr Jim

1985 prices (12bn)

GDP at constant 1985 prices (I£b)

Flow of profits and

says Professor Antoin Murphy of Trinity College. Output and export earnings are both overstated because of "transfer pricing": multinationals charge artificially low prices for components bought from other branches of their companies, artificially boosting the recorded value of

their Irish output and profits. The presence of multinationals means GDP is also an inaccurate indicator of living standards, even though the EU uses it to assess Ireland's entitlement to financial help. Of every I£8 of output supposedly produced in the Irish economy, I£1 leaves the country in repatriated profits or interest payments to foreign holders of government debt.

Even if the multinational sector's output is overstated, its growth and productivity no doubt outshine indigenous industries such as steel, drink and tobacco. These are more reliant on domestic and UK markets, which suggests they may be vulnerable if Ireland signs up to a single currency and the UK does

The Economic and Social Research Institute warned recently that these sectors would suffer badly if sterling fell sharply against the single currency, but added that the gain from lower interest rates would O'Leary, chief economist at Davy Stockbrokers, believes that ireland should not join a single currency without the UK, aithough he expects that it will. In that event, he argues that Ireland's corporatist wage-setting approach - in which the government in effect buys wage restraint with tax cuts - should be abandoned. The economy will then be better placed to adjust

wages if the interest rates set by the European central bank make that necessary. Both supporters and opponents of the Programme for Competitiveness and Work agree that moderate and flexible wagesetting will be essential to protect Irish jobs and living standards, especially if the country the UK. Unemployment is well down from its near 16 per cent peak in 1992-93, but it remains stubbornly above the European average with long-term joblessness a particular problem. In

tion, which would worsen the problem of urban poverty and thereby widen the social divide in the country's cities. For the present, Ireland's economy remains strong, demonstrating the rewards that an assault on government borrowing can deliver. But maintaining the miracle poses a number of chal-lenges. It demands tougher control of government spending, continued moderation in wage-

a single currency, excessive wage increases are likely to increase

unemployment rather than infla-

indigenous industries and ser-Joining a single currency will not make this easier - only more

setting and greater efficiency in

Number One Southwark Bridge, London SE1 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Friday October 25 1996

Bundesbank barks loudly

this Wednesday that interest rates were at a historic low and more was neither to be expected nor necessary" was not a surprise. It was certainly less surprising than its opposite - a statement that monetary policy was too tight - would have been The question is whether the Bundesbank's bite will match its disinflationary bark. The plausihle answer is yes.

This is so even though Mr Iseing loves such strong language. At the time of dollar weakness in early 1995; for example, he insisted that D-mark revaluation had brought only benefits. including falling inflation and protection against overheating. Later, on June 27 1996, he

argued that "monetary policy has done what it could do". On August 12 he declared that a cut in leading interest rates would not provide a solution to Germany's problems and added, sar-castically, that "if morale in Germany hinges on the Bundesbank cutting the repo rate by 10 or 20 basis points, things are pretty dire". Yet on August 28 the repurchase (or "repo") rate was

cut by 0.8 percentage points. Nevertheless, there are at least three good reasons for taking Mr Issing seriously.

The first is the clarity of his language and the support provided by Mr Johann Wilhelm Gaddum, the vice-president. The second is the historically low

The remark by Mr Otmar Issing level of interest rates. The discount rate of 2.5 per cent does allow some easing of the repo rate below its current 3 per cent. But any lowering of the discount rate itself, now at a record low, would be an admission of crisis,

The third is the evidence of recovery: industrial output rose 6.4 per cent between its recent trough in February 1996 and August; and gross domestic product grew at an annualised rate of 2 per cent between the last quarter of 1995 and the second quarter of this year. Meanwhile, annualised monetary growth of 8.4 per cent between the last quarter of 1995 and September is above the target range; and the trade weighted nominal exchange rate has depreciated more than 5 per

cent from its March 1995 peak. If it were not for very low consumer price inflation running at slightly below 11/2 per cent in the year to September. the Bundesbank might even be thinking of tightening. Mone tarist observers already argue that overly expansionary policy is sowing the seeds of a rise in

The conclusion is evident: it will take very bad news on the real economy, a collapse in monetary growth or far lower inflation to persuade the Bundesbank to ease monetary policy further. Mr Issing is not just barking. His teeth are sharp.

Brcko blues

Once again, Europeans and Americans are at odds over Bosnia - this time over the US the Moslem-Croat Bosnian army. The US insists this is essential to create a balance of power in the

Balkans. The British and French retort that balance should be achieved by levelling down, not up. The Moslem-Croat federation, they point out, remains a largely mythical construct. Moslems and Croats could end up using the

weapons against each other. Even if that does not happen, it is far from clear that the Moslems need weapons to deter a new attack on them by the Serbs, since the latter are by and large satisfied with the territorial provisions of the Dayton accord. By contrast the Moslems, if well armed, would have abundant motive for going on the offensive against the Serbs, who (in defiance of the accord) are refusing to let Moslems return to their former homes

One likely place for such an offensive to start is Brcko, on the Sava river which forms Bosnia's northern frontier with Croatia. This town, one of the wealthiest in pre-war Bosnia, had a Moslem majority but is now in Serb bands, and the Serbs consider it a vital part of the corridor connecting the lands they hold in northern Bosnia with those in the east and with Serbia proper. Breke was the rock on which

the Dayton negotiations very nearly foundered. They were saved only by referring to bind-"train and equip" programme for ing arbitration "the disputed portion of the inter-Entity Boundary Line in the Brcko area indicated on the map attached at the Appendix".

Unfortunately no map was included. This has enabled the Serbs to claim that the area in question does not include the town of Brcko and the arbitrators should deel only with the width of the corridor. The Moslems assert the opposite, believ ing they have a right to their homes in the town and that a foothold on the Sava would give them access to "Europe".

Solomon himself could not arbitrate this dispute to the satisfaction of both parties by December 14, as the hapless Mr Roberts Owen, a US official, is supposed to do. The Serbs will not leave Broko voluntarily, and the Moslems will try to fight their way into it if they cannot go back peacefully.

A possible temporary solution, suggested by the International Crisis Group last month. would be to place the town under international administration, with a mandate to ensure the peaceful return of displaced persons and free passage of all non-military goods both eastwest and north-south. At all events the powers which failed to resolve the issue at Dayton should now revisit it urgently.

Utility rules

Appetising shareholders and fingerlicking bonuses for senior executives have not proved a healthy diet

for the UK's privatised utilities. After an early burst of profitability, particularly in gas, water and electricity, the press howled and the regulators blew their whistles. Price caps were tightened, anti-competitive practices were scrutinised and vigorous efforts were made to break up unnecessary monopolies.

Now, as shareholders enter a leaner period, there are mutterings in a different tone: "Are the regulators too powerful, too arbitrary, too secretive?" Such questions are being studied by many bodies, including the Hansard Society, the parliamentary trade and industry select committee

and the Labour party. The latest contribution to the debate, from the Confederation of British Industry, yesterday urged caution. This is surely right after a period of rapid evolution during which regulators have been correcting mistakes made at the time of privatisation

as well as refining their roles. One difficulty is that methods of controlling profits by capping prices can seem complex and inconsistent. The CBI is right to resist the idea of imposing consistency via a utilities commission. This extra layer of bureaucracy would cramp the enterprise of individual regulators (which has had largely good results so far) and make regulatory reviews more cumbersome.

However, regulators might usefully consolidate the meetings which already take place into an informal college of regulators. Such a body could explain and justify the economic basis of regulation and promote a consistent approach to such vexed questions as the valuation of utilities' assets.

This might go some way towards the CBI's demand for more openness. A formal system of consultation with advi sory panels consisting of private and industrial customers would also help, as would more regular reviews by a parliamen-

tary select committee. The most difficult questions, however, turn on the reform of UK competition policy and the relationship of regulatory bodies to the Monopolies and Mergers Commission. It is widely agreed that an MMC inquiry is too slow and expensive to be an appropriate way of settling all disputes in this sector. The CBI's idea of reforming the commission to allow it to act as a fast-track court of appeal is

worth more study. If appeals became too easy, decisions by the MMC might simply replace those of the regulators. Despite this danger some such checks will be needed as regulators acquire (as they should) increased powers to police competition rules Competition, rather than complex pricing regimes, is far the best way to turn an obese cat into the consumer's friend.

Reluctant to judge

South Africa has just appointed its first black chief justice and Court of Appeal head but only after a dramatic intervention by President Nelson

Judge Ismael Mahomed, 65. an Indian, who is the country's first black senior counsel, had seemed as if he was a favourite for the slot anyway. So why did Mandela outrage other Supreme Court judges by specifically calling for him to get the job before the judicial services mission, which assesses the candidates and makes recommendations to the president, had approved his

pplication? The intervention of Mandela himself a former lawyer, can hardly be put down to ignorance of legal protocol, after all. And in the unlikely event that he had support, the final choice lies

with the president anyway.

Could it have been, then, that Mahomed was a shade reluctant to take up the post? After this week's swearing-in ceremony, he did let slip that the posting would "revive fresh wounds and painful memories". Presumably this refers to the fact that he will have to return to the Free State town of Bloemfontein, where be

BSERVE first worked as a young advocate during the apartheid era. At that time, local laws barred Indians from remaining in the Free State after dark and the young lawyer was forced to commute daily

from the Transvani. Quite aside from the private busy man already. But that is a tricky argument to put to a 78-year-old president whose working day begins at 5am.

Poles apart

An eye-catching, full-page colour advertisement on behalf of AEG appeared in the latest issue of Wprost, a Polish weekly. It depicts a vacuum cleaner in the Sahara desert. The accompanying text reads:"Not everyone is willing to take on some tasks. But orders are orders. AEG domestic appliances: German precision, German quality, German cleanliness, German reliability. Everyone who knows that

be order Any raised eyebrows would be entirely out of place. The ad was written by young Poles at US agency BBDO's local office in Warsaw, and is aimed at the young rich set, who, they say, have an entirely positive image

booses AEG. AEG: There must

Oh and by the way, AEG is

these days owned by Electrolux

Happy birthdate

With John Major, the UK premier, teasing everyone on the choice of dates available for him to chance his arm with the electorate, the political guessing game is in full swing.

If he does go for May 1, then it will be only the fourth general election this century beld in that month. Labour won at the very end of May 1929, the Tories were victorious in May 1955 and Margaret Thatcher arrived in

May 1979. The record shows that, in the 25 elections this century, most urime ministers have confronted their fate in October. Since 1935, they've been

required to take place on a Thursday. This time, Major has got until May 22 if he feels the need to hang on to the very end. It might he worth remembering, though that in 1992, be went on April 9 wife Norma's birthday. His own anniversary occurs on March 29.

Without fire

■ André Malraux, the outspoken French politician, writer and adventurer, would not have been amused. He is to be interred in the Panthéon, the final resting

place for Republican heroes, next month on the 20th anniversary of his death

So far, so good. But he is also getting a celebratory stamp. Problem is, the 1935 photo being used for the portrait has been retouched - in these politically correct times - to remove the

cigarette that had dangled from his lips. Judging from the new image, Malraux was well advised to keep puffing away on those Gitanes. He also looks distinctly chubbier and older than on the original photo.

In orbit

American voters may not be the most conscientious in the world, but US citizen John Blaha certainly wants to vote in the presidential election.

But he can't. He has: subsequent engagement, and will be on Mir, the Russian space station. Blaha, who has been training in Russia, omitted to ask for an absentee ballot. While NASA has offered to relay Blaha's choices electronically to the county clerk's office. Texas state law is stuck in the pre-electronic era, and there are no provisions for such cases.

Now George Bush, governor of Texas and son of the former president, has been asked whether he will make an exception. He should - after all Blaha can boast a detached view.

50 years ago Helping Hand For France

The recent serious advance in French price levels makes it clear that the country's economy is passing through a critical phase. It is encouraging that no time is being lost in implementing the general agreement for expanding Anglo-French trade, concluded a little over a month ago. France has to solve two main problems: the reorganisation of her public finances. to check the present wages-prices spiral, and the estab-lishment of equilibrium in overseas trade. It is to be hoped that, with the constitu-tional battle over, a strong French Government will immediately tackle the related questions of price control and the regulation of public expenditure.

Czechs To Pay Compensation At a press conference yester-day the Czechoslovak Foreign Trade Minister, M. Ripka, stated for the first time the Czechoslovak point of view on liquidation compensation for foreign investments. "We feel," he said, obliged to pay all foreign investors in full, and a special committee will be formed to discuss details of the new Government's approved compensation scheme. My opinion is that the matter should be solved

quickly,"

elorm

AT OUT





FINANCIAL TIMES

Friday October 25 1996

president, is out to make his mark.

Three weeks into his job, he has

already issued a profits warning

and a F11bn (\$578m) restructuring

programme. But he has revealed

plenty of need for change. At a time

of dwindling profits, Philips

increased staff numbers by 6,300 between January and September -

more than the job cuts proposed in

Mr Boonstra has set demanding

targets. If he achieves double digit

earnings growth and a 24 per cent

return on net assets, Philips shares

represent a bargain. Investors have

been here before, with promises

that loss-making divisions will be

revitalised or axed. However, as an

outsider Mr Boonstra looks far

more likely to deliver, and his mes-

sage that Philips will do more with less is a welcome one. Besides,

given the shares' significant dis-

not deliver value under the existing

structure, he will be under far more

Imperial Chemical Industries is

past the worst. Destocking is over,

volumes in mainland Europe are

rising for the first time in 18

months and steady economic

growth will feed through into

demand. Moreover, the manage-

ment is busily cutting costs - £90m

of the £400m of savings promised by

end-1997 is already in the bag. Even

so, the group is not much of a

recovery stock. In several of its big-

gest businesses massive overcapa-

city will continue to depress prices

Considering all that, the shares remain highly rated. Even though

its three big German rivals still have the higher-quality ecculogs of

their drug divisions, all four compa-

nies are trading on around 13 times

next year's earnings. ICI's valuation

is supported by a 5 per cent yield. But rapid dividend growth and

share-buy backs appear incompati-ble with its strategy of buying more

Investors in British Sky Broad-

casting have every reason to be

wary of News Corporation's com-

plax \$1bn debt issua. Attaching warrants to some of News Corp's

BSkyB stake amounts to a bet by

Mr Rupert Murdoch that BSkyB

shares will rise less than 20 per cent

stable downstream busines

and profits.

BSkyB

pressure to change it.

July's restructuring.



Tokyo prepares to resume aid to China after 18-month break

By William Dawkins in Tokyo

The Japanese government may soon grant aid to China, after further when China carried a break of nearly 18 months, in recognition of Beijing's decision to sign the United Nations' global ban on nuclear

An end to the block on aid imposed in May 1995 - would be seen in Beijing as a sign of Japanese goodwill at a time when bilateral relations are extremely strained.

A foreign ministry proposal to resume aid, suspended as a protest against a Chinese nuclear test last year, is awaiting the approval of the incoming government. The leading political parties are still struggling to put together a new coalition after last Sunday's national election. Aid could be resumed before the end of that a message of goodwill to before last Sunday's election

Tokyo's feelings towards the Beijing government soured out a second nuclear test last July. In the run-up to that explosion, Japan even considered extending the aid ban to include official soft loans, which make up the bulk of its official funding for China.

Beijing's relations with Tokyo came under additional strain in the following two months because of a dispute over a group of islands in the East China sea.

Japanese officials stressed yesterday that any decision to renew aid to China would simply be a consequence of the end of testing. It would not be an attempt to calm the dispute over the islands.

They admitted, however,

usually helpful to Japan's reach a consensus. hopes of re-establishing relations with its second largest trade partner.

Japan disbursed Y7bn (\$64.8m) in grants to China tional and humanitarian needs in the year to March 1995. Subsidised credits, which Japan lends for infrastructure projects, reached Y140bn in the year to last March.

Japanese officials called on their government to consider lifting the ban soon after China announced a moratorium on nuclear testing following the explosion in July. The UN test ban treaty was signed no Japanese political opposition to resuming aid, but the three-party coalition that ruled

the year, officials said. Beijing might be more than was nevertheless unable to

A decision was delayed by the election campaign, in which foreign policy concerns played almost no part. The dominant Liberal Demo-

mainly for medical, educa- cratic party fell slightly short of a majority and policy decisions have been put on hold

> LDP officials do not expect to convene parliament to select the next prime minister until November 7. The next cabinet would be formed shortly after that.

> Taiwan government officials yesterday forbade activists from making a flight to the disputed East China Sea islands, which are also claimed by Taipei. The activists had hoped to drop flags on the des-

EU jobs market report blocked

European industry leaders are furious that release of a comprehensive report on EU competitiveness is being blocked because of an ideological rift inside the European Commission over the need for greater labour market flexibility.

Unice, the European employers' organisation, believes publication of the report, which traces the link between high unemployment and labour market rigidities, is a central test of Brussels' willingness to endorse labour market flexibility and deregulation.

Officials from the Commission's social affairs directorate want to exclude aspects of the report, in particular two graphs that demonstrate the ments are carrying out politi-correlation between high cally sensitive restructur-

Industry leaders angered as Brussels rift causes hold-up

unemployment and high ings of their economies. redundancy costs and between high unemployment and complex labour market laws.

"Europe suffers from low low rates of employment," said Mr Francois Perigot, president of Unice. "It is high time to look more deeply into this phenomenon and see to what extent the functioning of the labour market itself can be considered a major cause."

Perigot's demand comes against a background of renewed tensions in countries where govern-

In Germany yesterday tens of thousands of workers staged a second day of nationwide protest against employers' demands that labour costs be reduced. Belgian unions have called a general strike for Mon-

day in protest over govern-

ment welfare reforms.

Industry's demands for greater job flexibility are being countered by the desires of trades unions, public sector enterprises and social policy officials to preserve the traditions of European welfarism.

"The split is philosophical," said one Commission official. "DG5 [the social affairs direc-

prepared by the industry directorate and looks in detail at the performance of the European economy and European industry. But objections from DG5, as well as reservations from officials in the environment directorate, mean the Commission has only issued a "communication" relating to

Yesterday a senior industry figure said it was very important the Commission gave its support to fundamental changes. "This is very worrying for us because labour market rigidities and changes to the welfare system are the two most difficult reforms needed to boost employment in Europe," he said.

IMF set to halt Russian aid over tax and debt record

By John Thombii and Chrystia Freeland in Moscow

The International Monetary Fund is likely to suspend the talks and Russian equity latest tranche of its \$10.20h loan to Russia because of the government's poor tax collection record and its reluctance to open up its debt market to foreign investors.

A mission of IMF experts, which monitors the Russian government's compliance with its loan agreement every month, left Moscow yesterday after failing to reach agreement with local officials.

"In the course of discussion of some elements of the economic programme the parties number of issues. This does not permit the mission to prepare a report at the moment,"

Europe today

unchanged. There will be patchy cloud as a front is east from the UK. Behind the front, showers will develop, especially in coastal regions. Central areas will have morning fog and sunny spells later. The Ukraine will be cloudy. Most of the Mediterrancer will be sunny. The Spanish and French coasts will have

Five-day forecast Most regions will have

unsettled conditions as the

remnants of hurricane Lili

bring gusty winds and rain.

said a statement from the Rus- granting foreigners greater sian central bank.

Foreign investors were debt market, where vields unsettled by the breakdown of remain above 50 per cent. prices sud by more than 5 b cent. Government debt prices also fell sharply, complicating issue a benchmark eurobond

The IMF has repeatedly criticised the Russian government's record of tax collection and delayed handing over July's \$340m tranche because of concerns about a widening budget deficit. Payments were later resumed after the government lifted tax revenues the

The IMF is believed to have objected to the government's failure to deliver on previous commitments and its delays in access to the local government

In recent weeks, the government has acknowledged the severity of its revenue shortfall and set up an extraordinary commission to target the worst corporate tax debtors. It has also threatened to put companies into bankruptcy unless they pay up.

Economists suggest the gov-ernment's authority has been undermined by tax privileges granted to favoured companies before the presidential elec-tions and by political uncer-Yeltsin's health.

The loan, the second bigges the IMF has ever granted, was designed to support Russia's shift to a market economy.

Overhaul

Continued from Page 1

began to rebuild in 1994. Nearly 6,000 jobs are already set to be cut as part of a reor-ganisation initiated in July at its Sound & Vision unit, maker equipment. The latest Fl 1bn provision comes in addition to a Fl 800m first-half charge

weakened initially in Amster dam yesterday but closed Fl 1.70 higher at Fl 58.30 as shareholder value.

at Philips

obs in the early 1990s, but

taken to cover those job losse Philips declined yesterday to specify where the axe would now fall, or how many more positions would go as a result. Dutch trade unions fear another 1,500-2,500 jobs would be shed within the Nether-

lands alone. Shares in the company investors took heart at Mr Boonstra's pledge to unlock

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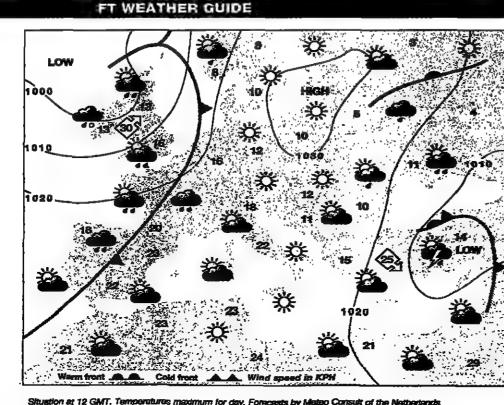
any loss, or we refund customers any surplus.

And you'll know precisely what your fleet costs because all our calculations are visible and open 80 inspection

To find our more, about how Lease Plan can help you find your way around the vehicle leasing jurgle, simply telephone or complete the information request below.

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THE LEX COLUMN

over the next five years. For a stock that had risen 56 per cent this year alone, that is no vote of confidence. The debt issue looks like classic opportunism from Mr Murdoch. His noney is tied up in News Corp. whose shares have not reflected BakyB's boom because of concerns over its huge investment in global pay-TV. However, BSkyB has its own equivalent project, DF1 in Germany, and investors have ignored the significant short-term costs and risks of this. As debt repayment slows and UK taxation increases, BSkyB's earnings will start to look less dynamic, while the regulatory environment could deteriorate. News Corp shareholders should be grateful, but those of Granada may ieel less so. his 11 per cent stake in BSkyB has become a far less saleable commodity, and given the pitiful dividend income from a £1.2bn (\$1.9bn) investment, Granada does

Deutsche Bank

While Germany's Dex index has this year been marching to record highs, Deutsche Bank has been travelling resolutely in the other direction. Yesterday's results will have done little to arrest the trend. Once more, Deutsche has disappointed, with the 9 per cent increase in net income well below expectations. Admittedly, the results were dented by the unexected cost of mopping up behind Mr Peter Young, the rogue trader in its Morgan Grenfell asset management arm. But this should not obscure the bank's deeper-seated.

not look like a long term investor.

The good news is the evidence that the bank's huge spending on

Fee and commission income rose but most impressive was a 47 per cent: jump in trading profits to tute two-thirds of total income. But this is a double-edged sword. Large ing big risks, which can backfire.

Moreover, they will fall when man to kets subside. Structure and provisions, the core businesses are performing badly. This can be laid at the door of poor cost control. The cost income ratio of 71 per cent is a long way from the "mid-sixties" the bank is hoping for by the end of next year.

If Deutsche's strategy is not in

fall into serious disrepute, it will have to start beating expectations, not disappointing. Short term, the huge Deutsche Telekom placing. should help. Further out, profits in its corporate business will need to

Standard Chartered

The City's ambiguous attitude to Standard Chartered is once again on display. At the mid-year, the share had outperformed the bank. ing sector by 20 per cent, but that premium has evaporated. To an extent this was predictable, given the performance over the past two years. Bullish forecasts of 20 per cent operating profits growth a year for an extended period left the shares vulnerable.

However, there has been little cause for concern. The market has taken subdued foreign exchange profits and evidence of higher pending to secure growth as sufficient excuse to downgrade the shares. The foreign exchange problem of a one-off shift to lower margins is real enough. But currency trading comprises little more than 10 per cent of the bank's revenues.

Insufficient weight is being given to Standard's status as a growth stock, two-thirds of whose profits come from Asia. There are some signs of an economic slowdown in the region, but Standard has a strong personal banking franchis with excellent growth prospects across south east Asia. The shares are trading on a prospective price/ earnings ratio of below 11 for 1996. By contrast, its Asian peers are on ratios of 15-19 times earnings. The current spell of weakness looks like a buying opportunity.

> Additional Lex comment on executive pay, Page 23

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Richard Donkin on the analysis of overseas placements

Expatriate examination

hould companies be doing more to estimate the worth of their expatriate employees given the size of investment in foreign assign-

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MG Ravings

Ernst & Young, the accountants, was arguing at its expatriate conference in Paris that companies should adopt some sort of financial analysis of expatriate place-

It said that it found a surprisingly casual attitude to the evaluation of expatriate assignments among some 100 international companies it surveyed in Europe and north America. Only a quarter of the companies said they prepared any formal business case for relocating an executive and less than half said they agreed a set of documented objectives.

Less than a fifth of the employers regularly checked on their expatriates to see how they were performing and only a third bothered country.

UK Sving costs

Greater London 222,991 216,609 -28 219.974 Barningham Edinbutgh £20,313 -11 218,150 -20 Manchester £18,365 -20 Nottischem 217,712 -25 £19.192 -17 Southampton

formally to interview returning executives. More than a third of those surveyed did not feel their expatriate programmes had gone well. Cathy Turner, Ernst & Young's head of human resources consulting, said: "These findings are even more surprising when it is borne in mind that sending executives abroad can typically cost anything from 3.5 to 7 times the cost of keeping

the executive in the home

"Relocating a manager and his family to, say. Japan for a three-year stint would cost at least £1.5m and probably more. In what other part of the business would this sort of expenditure not be analysed carefully?" So should companies be

doing more to evaluate expa-

triate costs and benefits?

There seems to be a divergence here between the natural cautiousness of accountants and the instinctive feel of companies such as Shell International, one of the most experienced companies in expatriate employment. It does not plan to introduce such an analysis. Its expatriate assignments are necessary, it says, to transfer skills and technology and to gain international exposure for managers. Given the breadth of experience and development possible in such a posting it is questionable whether any satisfactory measurement of benefit

could be applied.

costs, it is time to update the Cost of Living Index in the table (right) that lists a sample of cities drawn from PE-International's Worldwide Living Costs survey which covers about 120 countries. July 31. To update the index, divide the exchange rate by the new rate and multiply the result by the table's index figure.

The index is drawn from six European cost of living indices and is based on the consumption needs of a married couple with two schoolchildren. It excludes house rents and tax levels. To help make calculations

from a UK regional base, the Reward Group has supplied some differentials from its latest UK Regional Cost of Living Report. The figures in sterling (shown in the smaller table) are the required incomes for a family of four living in a three-bedroomed semi-detached increasing signs of personnel chiefs tiring of making living

International living costs index: selected cities

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house which they own with cost adjustments for jobs a mortgage. The third column shows how much less it costs to live in Greater Lon- foreign assignment is often

don in percentage terms. becoming academic in some businesses, at least for European locations, as there are

within the European Union. Some argue that since the regarded as an important Such calculations are stage of employee development, where there is little obvious hardship it need not

> be loaded with extra benefits and inducements. I have some sympathy

with these sentiments. The Worldwide Living Costs is expatriate assignment has been something of a gravy train for too long. As the UK survey shows, local living costs within a country can vary widely.

Now that we have Channel tunnel is it really so different living in Brussels as opposed to Edinburgh?

published by P.E International, Park House, Wick Road, Egham, Surrey TW30 OHW, Tel 01784 434411. The UK Regional Cost of

Living Survey is £180 from Reward Group, Reward House, Diamond Way, Stone Business Park, Staffordshire ST15 OSD.

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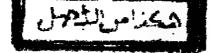
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Kleinwort Benson is one of the world's leading. fully integrated, investment banks and is recognised as a major force in international investment banking. In 1995, Kleinwort Benson became part of Dresdner Bank AG, one of Europe's leading financial services groups. The Corporate Finance division has a truly global franchise based upon a sector focused approach and a culture dedicated to sustaining long term client relationships. In 1995, Kleinwort Benson advised on M&A transactions valued at more

than £16 billion, and was ranked as No 1 investment bank by value for advising UK companies on overseas M&A and advised on 35 privatisations in 19 countries. 1996 continues to be an extremely active year.

Kleinwort Benson is currently looking to recruit a small number of high calibre personnel at Assistant Manager, Manager and Assistant Director levels. Candidates, whether generalists or industry sector specialists, will have the drive and ambition to thrive in a business-getting

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Eastern European 'currency trading

more continental European language.

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For further information please contact in strictest confidence our Managing Consultants David Goodrich and Julian Davey

Prime Executive

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In the first instance, please write with full CV and salary details to: George Brown, Personnel Director **ROBERT FLEMING & CO LIMITED** 25 Copthall Avenue, London EC2R 7DR

experience and an understanding of derivative products and their applications. A high level of numeracy is

essential for this position, hence a degree and/ or

post-graduate qualification from a recognised university in mathematical or related discipline is a prerequisite.

Fluency in English, Russian and preferably a working

knowledge of a further European language is essential. For

a confidential discussion on this opportunity please contact

Fulwood Place, London, WCIV 6HG.

Managing Partner, Michael Brennan on

+44 171 242 9000/Fax +44 171 405 6434 or E-Mail

alexmannptnrs@dial.pipex.com Alternatively you

may write to him at Alexander House, 9-11

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 accurately counterparty exposure to both simple
 and complex derivative instruments and credit
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Please send your CV with current salary details to: Sara Kendardine-Davies, KJF Selection, 252 Regent Street, London W1R 6HL, quoting reft 90512/8.

Alternatively send by fax on 0171-312 0020 or e-mail to cv@kiselection.com Internet Home Page: http://www.kiselection.com Closing date for applications is 8th November 1996.

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in addition you will be familiar with the products traded and their documentation and having had exposure to structured finance transactions and Asian experience would be a plus. ...

Interested candidates should contact Gavin Honnet at Robert Walters Associates by sending a detailed CV, stating current remuneration, to 25 Bedford Street, London, WCZE 9HP, or faxing details for his attention on 0171 915 8714. E.mail:gavin.bonnet@robertwalters.com





European Credit Manager Do you take a broad view?

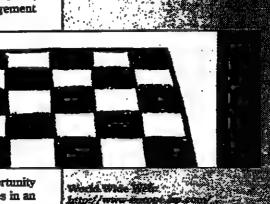
In the field of Computer Product Sales & Distribution (CPSD) Europe you will be responsible for all credit-related matters, lead the whole credit organisation in Europe and will help to formulate a adequate business policy for the future based on a jointly developed plan. You will develop European-wide credit strategies to support our growth targets. implement a balanced credit/risk management approach and ensure a smooth conversion of the CPSD credit policy. In addition you will manage the local credit and collection teams, steer the credit management plans and procedures of all European-wide resellers, as well as chairing our European CPSD Credit Council.

You will have successfully completed your MBA studies or be educated to a comparable level. Whichever, the important thing is that you aiready have more than 5 years' experience in a similar position, ideally in credit/risk management within an international distribution consumer business segment, and are accustomed to leading and motivating an international team of qualified staff. We expect from you ideas, clear plans, a methodical approach to your work, strongly developed analytical, conceptual and planning skills, together with enthusiasm in the active management

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We need an individual with the following attributes:

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- Skill and experience of corporate finance and business
- Able to give a time commitment of at least two days.
- Ability to achieve objectives through teamwork
- Senior management experience preferably at Board level Able to think strategically and understand wider issues
- and implications
- Sound judgement and decisiveness Good interpersonal and communications skills
- High standards of probity and integrity \(\frac{1}{2}\)

Experience in the selection, procurement, installation and management of information technology systems would be a distinct advantage, as is an understanding of local healthcare needs.

Closing date for applications is 5.00pm on Friday, 8th Navember 1996. For an information pack, please telephone Amanda. Bernins on 0181 442 6280 or 0181 442 6174 quoting reference number NED1.

We particularly welcome applications from women and members of ethnic minority communities, Section 6 of the Sex Discrimination Act

We provide a smoke free work environment. Haringey Healthcare NHS Trust is coording towards equal opportunit icomes applications from all sections of the co

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South Asian Markets

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in line with an eminent reputation for growth and innovation. Nomura is firmly committed to long-term business development in the fast growing South Asian markets of the Indian sub-continent. Two key appointments in the equity and equity linked trading group will be pivotal to this Working as part of an extremely successful trading group,

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The candidate must have experience in the drafting, negotiation and execution

of derivative contracts, credit support documents and standard products and in

Proficiency in Word for Windows version 6 and related applications is essential.

The candidate should be aged between 25 and 28, have an upper second class

degree (or better) from a top South African university. Must be a team player.

have good commercial sense, communication skills and initiative and have a

Please reply to Box No. A5729 The Financial Times, 1 Southwark Bridge.

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advising generally on contractual and other related legal matters.

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Jane Duthie, Human Resources Manager, Baillie Gifford & Co., 1 Rutland Court, Edinburgh, EH3 8EY. Tel: 0131 222 4000 Fax: 0131 222 4489. The closing date for applications is Wednesday 30 October 1996.



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the institutional client base of NatWest as would European language skills.

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Securities. The ability to build strong

and commercially aware, with the ability to influence and negotiate in a complex and highly sophisticated and client orientated business intellectual market. Strong interpersonal, oral as is a strong interest in and under The specialist sales role involves marketing the the financial markets. Knowledge of the research on the European Transport sector to . transport sector would be a distinct advantage.

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Written applications only, in strictest confidence enclosing full CV inc. C W L BARRATT ESQ., BARRATT & COOKE,

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Trading rise aids Deutsche Bank

Deutsche Bank reported a 25.8 per cent increase in operating profits to DM3.49br (\$2,35bn) for the first nine months of the year, lifted by strong rises in earnings from both in-house trading and brokerage. Page 19; Lex, Page 16

Chip weakness holds back Sharp Sharp, one of Japan's leading electronics groups, was held to a 3 per cent increase in first-half non-consolidated recurring profits to Y36.1bn (\$319.4m) by the drop in semiconductor prices over the past year. Page 22

Virgin Express in Sabena accord Virgin Express, the cut-price European airline, has reached outline agreement to take over lossmaking flights operated by Sabena, the Belgian airline, between Brussels and Landon Page 23

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New York and	Toronto	prices	at 12,30pm.			

Primark buys UK group for \$105m

By John Gapper, Banking Editor

OTHE FINANCIAL TIMES LIMITED 1996

Primark, the US financial information and technology company yesterday announced a \$105m takeover of ICV, the UK company supplying share price data, and a linked joint venture with Dow Jones, the US publisher of Bnancial information.

The joint venture, providing a mixture of historical and real-time information about international equities through the screens on traders' desks. will challenge Reuters' dominance in a market estimated at 200m in annual revenues.

The takeover by Primark,

owners of the Datastream

financial information data- combining real-time financial dealers mainly in fixed income base, is a further indication of the growth of financial information services, in which Reuters and Dow Jones face competition from the Bloomberg

The joint venture, which involves merging the news arms of ICV and Dow Jones in London to provide increased coverage of equity markets and companies, will supply information both over dedicated terminals, and open data

ICV is a supplier of real-time equity information from the London Stock Exchange through Topic terminals, But it has not been able to compete effectively with Reuters in

information with news.

The venture, which will be called Primark/Dow Jones Equity Service, will compete with the Reuters News 2000 service. It will be aimed at City of London trading rooms, and at international equities dealers and portfolio managers

around the world. Mr Joseph Kasputys, chairman and chief executive of Primark, said it had been looking for a way to add real-time data to its range of historical financial information businesses, and ICV fitted very well with its strategic aims.

Dow Jones' Telerate finan-

and foreign exchange markets. However. Dow Jones will provide real-time data from over 100 equities exchanges.

ICV employs about 20 journalists to provide news on Topic screens relating to the London equity market. These will be combined with about 70 journalists employed by Dow Jones, and further investments are envisaged.

The deal makes Mr Christopher Sharples, ICV's founder, an instant multi-millionaire. It gives cash and securities worth \$57m to the family trust of Mr Sharples.

It is structured so that Mr cial information product has Sharples will swap the 54 per been providing information to cent stake in ICV held by his

1CV is 2.2m Primark shares, valued at \$61m yesterday, and \$44m in cash and notes. slackens The deal will give Mr David

Taylor, ICV chief executive, a payment of \$18m. Both Mr Sharples, a former chairman of the Securities and Futures Authority, the City regulator,

and Mr Taylor, are to take management posts in Primark. Mr Sharples is to be chairman of Datastream International, with Mr Taylor as chief executive. "We are entrepreneurs by nature, and this deal does not change us. I'm not ready to wander off to a Caribbean Island," Mr Sharples said Background, Page 28

family trust into Primark

shares. The total payment for

SKF falls 48% as demand

By Hugh Camegy In

Profits at SKF, the world's biggest supplier of roller bearings, were almost halved in the third quarter as prices fell and demand slackened in high-margin markets.

The Swedish group bell-wether of global industrial activity as its products are widely used in manufac-turing – said demand was pos-itive in Asia and, to a lesser extent, in the US. It said a decline in western Europe in the first half had flattened out in the third quarter but "no general upturn is noticeable n western Europe". It added the business climate was expected to be "largely unchanged during the next few quarters".

Pre-tax profits at the Gothenburg-based group fell from SKr720m (\$110m) in the third quarter last year to SKr374m on sales down from SKr2.7hm lo SErt.Blm.

In the first nine months, pre-tax carnings fell by a maller margin - from SKr2.6bn to SKr1.8bn. Earnings per share were down from SKr14.70 to SKr16.40.

The result was slightly beneath market expectations and SKF's most traded B-share slipped SKr4.50 to close at SKr154 in Stockbolm. The 3 per cent fall was much steeper than an overall 0.18 per cent fall for the bourse's manufacturing index. Group sales for the first nine months were down 10 per cent from SKr28.2bn to SKr25.4bn, Operating profits slid from

SKr3.1bn to SKr2.2bn.
A significant factor was the adverse effect of a stronger Swedish krons compared with the same period last year. But SKF was hit by a trend of lower prices - caused by competitive pressures and weaks demand - as well as by lower volumes in Europe, where margins are higher than in

SKF said a pick-up in car sales in Europe in the third quarter had lifted sales but sales to truck manufacturers had fallen below 1995 levels. It added that the pattern of activity in Europe varied from market to market. While Germany and other porthern European markets were showing an improvement in nand, France and especially

Asia and the US.

Italy remained weak. Rising new car sales in the US helped keep sales to the carmakers there ahead of 1995 levels, but sales to the truck sector were significantly lower. The lower production rate in the truck sector was set to continue for the rest of the year, SKF said.

BCH in \$200m Colombian expansion

By David White

Banco Central Hispano yesterday announced plans to take a large stake in Banco de Colombia in a deal worth at least \$200m. It is the latest in a series of Spanish banking acquisitions in South Amer-

It said it had agreed in principle to buy 26-36 per cent of the bank, Colombia's secondlargest in terms of ass profits, from the Gilinski group, which has wide-ranging financial and industrial interests in the country.

The purchase could be worth up to \$260m, depending on the size of BCH's participation, which still had to be

decided, it said. The move by BCH reinforces the important role Spanish banks are playing in the sector's development in Colomdia. It follows the receni acquisition by Banco Bilbao Viscaya of a 40 per cent stake tu Banco Ganadero, the country's largest banking group. Banco de Colombia, privatised in 1994, had assets of \$2.44bn at the end of last year and operates a network of 269 branches, with 5,000 employ-ees. BCH is to take its stake by subscribing to a capital increase next year. It said it would manage the bank

operations on alliances with local partners. The deal marks a new phase of BCH's expansion in South America, where it has focused on a partnership with the Luksic group of Chile.

jointly with the Galinksi

group, in keeping with its pol-icy of basing its foreign

Its Chilean joint venture recently merged Banco O'Higgins with Banco de Santiago to form the country's largest banking group. The unit also controls the Banco de Sur group in Peru, Banco Tornquist in Argentina, Banco de Asunción in Paraguay and Central Hispano Banco in Uruguay. BCH said the deal with the Gilinski group would be the first step towards wider collaboration in the financial sector in the northern part of

Separately, Spain's Banco Santander yesterday concluded a deal to take control of Banco Mexicano, the fifth largest bank in Mexico in terms of assets.

Banco Santander sees the purchase as potentially the biggest of its extensive operations in Latin America. The Spanish group views Banco Mexicano, with a retail banking network close in size to the 240 branches Santander has in Chile, as a platform for expansion in Mexico.



Mike Blackburn, Halifax chief executive, is leading the building society towards flotation next June

UK society to give up bid cover

The Halifax, the UK building society, is to give up its right to five years of takeover pro-tection after it floats on the stock market next June.

The decision, made for technical reasons to free up capital, could lead to bid speculation following the flotation. However, the society, which will be one of the top 25 UK companies, believes its size will be a considerable deterrent to predators

The society announced its decision on takeover protection yesterday as it and the Woolwich, another building society, provided further details of their share flotations next year. Halifax said its 9m members would learn in January - when the group publishes its transfer document ~ how many shares they would get from the conversion and an indicative pricing range.

Woolwich said it expe ted to float in July, after publishing its transfer document in January and seeking approval for its plans from its 4m members in February.

The Alliance & Leicester, which plans to float next spring, is expected to publish its document next week. It expects its 3.5m members to vote on its plans in December.

The Halifax flotation will be one of the largest single extensions of UK share ownership. Analysts expect the society to be valued at about 210bn (\$15.6bn), against a value of about £3bn for the Woolwich and £2.5bn for the Alliance & Leicester. Qualifying members, including nearly all savers and borrowers, will receive free shares averaging up to £1,000 from each society. The Halifax, led by chief executive Mr Mike Blackburn, will lose its takeover protection because it has decided to change a technical

ate a "priority liquidation dis-tribution right" - a facility which is relevant only if it goes into liquidation. But by abandoning PLDR it automatically loses its right to

It is floating by transferring

its business to an existing sub-

sidiary rather than setting up

a special new company. This

means it no longer has to cre-

takeover protection. The PLDR would have tied

up several billion pounds of the group's capital at the outset, although it would gradually be run off. Mr Mike Ellis, Halifax's

managing director of treasury and oversess operations, said: We are going to be one of the top 25 listed companies and we don't believe the takenver restriction is either necessary or appropriate".

The Woolwich and the Alliance & Leicester plan to keep takeover protection for five years and are setting up companies which will include the

tive, said: "Five years protection, whilst not vital, is neces whilst we become SATY established as a PLC." The five-year rule has proved controversial because

obbestion for PLDR, Mr John

Stewart, Woolwich chief execu-

while it protects converting building societies, it does nothing to stop them making hostile hids for other companies. Mr Rob Thomas, analyst at UBS, said: "The Halifax is

going to have a lot more capital than it needs and this could be used for quite a big acquisition." The Halifax invisted it had no specific acquisition target in mind. The Halifax said that to

qualify for shares, members needed to have at least £100 in their accounts on December 31 1996. Exact allocations will depend on the lower of balances held on the November 25 1994 and the date of a special members meeting in late Feb-

It added that demand was still weak for components from the textile industry.

Airlines lift fares after jump in jet fuel prices low-sulphur diesel fuel. Oil

Airlines are being forced to

raise fares or, for the first time since the Gulf war, add fuel surcharges after a rise in jet fuel prices to a five-year high. RLM, the Dutch airline said this week it would levy fuel surcharges of between Fl 9 and F123 to all tickets bought in the Netherlands from November I. The US's Northwest Airlines, which has an alliance with KLM, said it would put the surcharge on transatlantic

Trans World Airlines, the US carrier, which yesterday

tion elsewhere.

routes and monitor the situa-

reported a loss of \$14.3m for the third quarter, said its fuel bill had risen by \$40.8m over

aspect of its conversion.

the same period last year. British Airways last week raised fares 2.5 per cent rise on European routes because of higher fuel prices and said it would consider raising longhaul prices.

KLM said: "We've seen our fuel costs rise by 40 per cent since last September and we haven't had a fuel surcharge since the Gulf war." Jet fuel prices have surg

this year on the back of a stronger oil market and low stocks. Although the market has slipped slightly in recent days, prices of \$254 a tonne are

still 45 per cent higher than in October last year. This is a market that nor-

mally trades between \$165 to \$185 a tonne and reaches its peak in the winter, but the weather isn't even cold yet and prices are \$70 a tonne higher than usual," said Mr Lindsay Horn, executive director of energy derivatives at Lehman Bros in London.

Analysts say the sustained rise took most airlines by sur-prise. The fuel bill usually accounted for 10-11 per cent of a carrier's costs. But many had failed to bedge against a rise.

Prices have been pushed up partly by the European

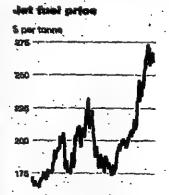
Union's move this month to

refineries can blend jet fuel with diesel to lower the sulphur content, which has nut pressure on jet fuel supplies. Strong demand, particularly from Asia, has also pushed up prices. The industry has also held off building up stocks in

expectation of lower prices,

Some analysts calculate that, for every 10 per cent increase in the fuel price, the industry must push up fares by 1-1.5 per cent, which means airlines could now be looking at charging 3-5 per cent more. US airline results, Page 21; Boeing result, Page 20; Commodities, Page 26

which failed to materialise





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Chastened Philips searches for a clearer future

Improvements are promised at Dutch electronics group after collapse in third-quarter results

"The trouble with our times," wrote the French poet Paul Valery, 'is that the future is not what it used to be.' He could have been talking about today. Once we seemed to be evolving gently towards the future. Now as the pace of change accelerates exponentially, the future seems to be racing towards us. Time itself is becoming compressed."

brochure extolling the part in the US and western its products could play in global upliftment. It formed part of the first worldwide tors such as mobile phones promotional drive by the Dutch electronics group, under the slogan "Let's make things better".

Philips was riding high. It had just produced a record

FI 2.52bn (\$1.5bn) on sales of

Yesterday, however, it was a chastened company. And the booklet's pronouncement could equally have described its own changed corporate reality, as well as the difficulty Philips is having in establishing the strength of vision to see past it.

Price erosion across virtuo spoke Philips early ally all its divisions, from this year in "From semiconductors to television vision to reality," a sets; dull consumer markets Europe; and a cash consuming expansion into new secall had contributed to a collapse in third-quarter net earnings to just Fl 123m, half the level that the gloomiest analysts had forecast.

At a press conference at set of earnings for 1995, its Eindhoven headquarters

when net profits reached Mr Dudley Eustace, finance would be sold or closed. director, had just finished enumerating the problems when Mr Cor Boonstra, Philips president since the beginning of the month, dropped in unexpectedly to convey

> his message in person. He conceded he could not yet offer any grand new stra- ating income, and a 24 per tegic direction to the financial markets, which have nearly 50 per cent average said. "What gets measured, gain seen in other leading Dutch stocks this year. "We need the budgetary procedures in place . . . before taking major corporate actions," Mr Boonstra said.

But, he added, "my job is to lead the management in unlocking the value of the company". This could involve the flotation of a

Mr Booustra set tough targets to evaluate performance. Overall, these amounted to a requirement that the group produce a

positive cash flow of Fl 1bn or more a year, sustainable double-digit growth in opercent return on net assets. "I don't like talking tough accorded Philips none of the but I do like clarity," he

s far as management was concerned, "our overall goal is to get more done with fewer people. We are talking about overheads. There is enough uncertainty on the shop floor". At the same time, the new chief earmarked the profitable business unit. Oth- lighting division, a tradi- a streamlining of Philips'

for a restructure. This would where more than 600 people have happened last year except that, with strong outside the Netherlands are demand for its products, there was neither the time nor the capacity.

Even there, Philips has since suffered from price cutting by rivals which can operate from a lower cost base. Lighting sales in the first nine months of this year were up 2 per cent at Fl 47.8bn, but divisional operating profits fell 45 per

cent to Fl 1,52bn. The FI 1bn charge includes a share of a \$90m provision which PolyGram, the group's 75 per cent owned music and film subsidiary, this week said it would make to cover reorganisation costs at its record labels.

Also taken into account is ers which did not perform tional cash generator, as ripe main corporate centre.

work National head offices also expected to be overhauled.

At the same time, marketing will be strengthened to extend a Philips brand which Mr Boonstra depicted as "clearly under-utilised but having enormous value".

To this end, one new job has been created in Eindhoven this month: that of senior marketing director. It went to Mr Gérard Dufour, the French advertising agency executive who coined "Let's make things better". As the services of the poet Valéry have not been available for 50 years, he will report directly to the president with the task of marketing muse.

Gordon Cramb

over 'miracle margarine'

By Hugh Carnegy

Shares in Raisio see-sawed yesterday as investors differed over the Finnish group's plans to exploit its "miracle" margarine Benecol, which cuts cholesterol

Raisio, whose shares have rocketed since it revealed its invention late last year, announced significant progress towards solving a shortage of raw material that has so far held back output of a product that could become a worldwide health fad. It said it would begin exporting Benecol to neighbouring Sweden in the first half of

Benecol bears, who query forecasts of rapid international success for the margarine, were unimpressed. In initial trading, they drove down Raisio shares sharply. At one stage, the shares had dropped FM13.40 to FM289.

fuelled an explosion in Raisio shares from FM62 at the turn of the year to a high to FM339.90 in September, emerged from simultaneous briefings in Helsinki and London convinced their opti-

Within hours, the shares were sharply up again to reach FM308. However, a more cautious note set in towards the end of trading and Raislo shares ended the day at a more cautious FM306.50 - up a net FM4.10.

The factor main restraining the development of Benecol has been a shortage of the key raw material - plant sterols, which inhibit cholesterol absorption. Raisio has patented a process which converts sterois to tasteless stanol esters. These

are soluble in fatty foods. Although plant sterols are readily produced in mass vegetable processing such as making wood pulp, few manufacturers collect them.

Raisio said yesterday it was negotiating with UPM-Kymmene, Europe's biggest pulp and paper company, to increase supply. It was also from vegetable oil processors, and said it would build a second plant to bring total stanol ester capacity up to 2,000 tonnes a year by January 1998.

Mr Karl Jokinen, chief executive of Raisio's margarine division, said that corresponded to anticipated demand for a total market of

The first exports of Benecol would be to Sweden, starting next year. In other markets. Raisio intended to But Benecol bulls, who sell via co-operation agreements - and was likely to vary which product stanol esters were introduced into in different markets according to local tastes.

Mr Michael Finney, analyst at Kleinwort Benson in col bull, said Raisio's plans justified earlier predictions. He has been among those forecasting profits of more than FMIbn by 2000.

But Mr Ben Warn, analyst at Enskilda Securities and a long-time Benecol bear, said Raisio had given little new information. "There is no denying it is a good product, but estimating the value of what they can do in this decade is very blurred."

Market divided Stora tumbles 69% at nine months

packaging group, yesterday posted profits after financial items down 69 per cent from SKr6.2bn to SKr1.9bn (\$288m) for the first nine months, reports AFX News from Stockholm,

Operating profits fell from SKr6.9bn to SKr2.3bn on sales down from \$Kr43.2bn fell, from SKr4.1bn to SKr1.26bn, and earnings per share dropped from SKr12.80 to SKr3.95. The results were in line with expectations and the shares closed up SKr0.50 nt SKr86.

> Stora said nine-month volumes of paper, pulp and board were down 8 per cent from the prior year. The fall in sales was due to a downturn in delivery volumes and lower prices of almost all products, Stora said. The stronger krona affected sales negatively by SKr2.5bn, and the disposal of Stora Building products and Newton Falls had a negative effect of

Stora's operating profit

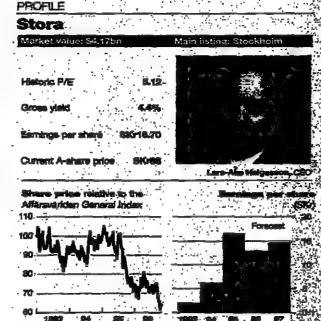
Stora, the Swedish paper and was hit by lower prices and deliveries by SKr3.3bn, while the stronger krona's negative effect was SKr625m, it said. Weak economic development in Europe has had a negative impact on paper and board markets, Stora said, It said customer destocking and cost savings measures during the first to SKr34.2bn. Net profits also half also weakened overall performance.

Demand in the US has been somewhat better due to the stronger economic situation, although deliveries there were also lower than in the same period in 1995.

In the third quarter, the pulp market was calm. Stora said, partly because of seasonal factors and partly as a result of lower shipments to south-east Asia following the high levels recorded during the early summer. Demand for fine paper remained The order situation has

improved in the board and

packaging area, particularly



coated magazine paper strengthened, it said. Trans-

pulp, paper and board products were 16 per cent lower lated into Swedish kronor, in the nine months com-

Creditanstalt bid conditions revised

By William Hull

The Austrian government has dropped its condition bank, must agree to buy all 19.9m shares, currently worth around Schl4bn (\$1.3bn).

It has indicated that while it would prefer to sell its entire stake in one operation, it will consider bids for only part.

The government's willingness to adopt a more flexible attitude towards bids for its 70 per cent effective voting stake in Creditanstalt is

intended to end more than five years of uncertainty his intention to sell its entire over the ownership of Austria's most famous bank. not possible he would con-

Mr Viktor Klima, finance minister, is committed to solving the problem before the end of the year. He has told the Financial Times he intends to be "more flexible" than previously in interpreting the question of Austria's

national interest. Under the previous sales procedure, he was committed to considering only bids for the government's entire

stake. However, if that was This week, it invited inter- sider other alternatives. He ested parties to submit bids also indicated he would be for its shares before Novem- more flexible in interpreting cent had to be kept by Austrian shareholders.

He said he would assess any bids for the government stake against three objectives. He wants to use the sale to add to an improvement in Austria's banking structure, as well as "keeping an eye on the national interest". He also wants to raise as much cash as possible for the budget.

Mr Klima expected to take

Mr Klima said it remained a decision on the ownership before the end of the year. After that, he would turn his attention to plans to sell the per cent in Bank Austria, the country's biggest bank. reported a 10 per cent rise in the group's nine-month operating earnings to Sch4.6bn. It said it expected its full year net profits to rise by about one-fifth and its return

on equity to top 10 per cent. However, analysts believe the improvement in earnings is being driven by the group's non-banking busiss, which are cushioning a continuing weak performance by the parent bank.

EUROPEAN NEWS DIGEST

MAN trucks unit warns of decline

MAN Nutzfahrzeuge, the German commercial vehicle maker, lifted not earnings 7 per cent from DM157m to DM168m (\$110m) in the year to end-June, but yesterday warned it expected a sharp decline in profits for the current year. The company, a subsidiary of MAN, the German engineering group, said falling demand for trucks in west Europe, high wage increases and the strong mark would take their toll on earnings. "We expect a satisfactory result but it will be considerably lower than last year." said Mr Rudolf Rupprecht, chairman. MAN shares dropped 4 per cent to DM384.40.

"MAN Nutzfahrzeuge is the corner stone of MAN so it is bad news for the group as a whole," said Mr Michael Hagmann, analyst at UBS in London. "I had expected them [MAN Nutzfahrzeuge] to start feeling the impact of the recession in the west European truck market, but I thought they would make a more moderate warning for the current year." MAN Nutzfahrzeuge accounts for about

40 per cent of MAN revenues. The truck maker, the second largest in Germany after Mercedes-Benz, suffered a decline in profitability in the early 1990s. However, it appeared to be on the road to recovery over the past two years, returning to the black in 1994-95 from a pre-tax loss of DM80m in 1993-94. Mr Rupprecht said the group had reduced capacity towards the end of the last financial year and was continuing with cost-cutting measures. However, he added that while demand was expected to pick up in Germany in the next few months, orders were declining in the group's other core west European markets.

Last year, group production rose 13.6 per cent to 43,263 units and turnover climbed 10.3 per cent to a record DM7.98bn. However, weak domestic demand for trucks led to a fall in new orders from DM7.73hn to DM7.54hn. New registrations of trucks above six tonnes, the group's speciality, rose from 30,800 to 33,600 in west Europe. Market share in Germany dropped from 25.8 per Sarah Althaus, Munich cent to 25.2 per cent.

Club Med plans re-launch

Club Méditerranée, the French-based leisure group whose shares dropped sharply after a profits warning on ... Tuesday, said yesterday it planned to launch a new commercial policy designed to win back sales. It promised a "more targeted" strategy with greater variety in pricing structures for different types of clients, and renewed.

efforts to increase sales through reducing bulk buying of

The details came after the group said its second-half operating results for 1995-96 would be at the same levels as the same time last year, or lower than analysts had expected. It stressed that the comments made by Mr Serge Trigano, chairman, several weeks ago were correct, and that it had experienced an increase of 5.5 per cent in the number of holiday packages sold this summer. However, it added that sales were concentrated in its lower-cost packages, which generated lower profits.

Esselte up despite sales fall

Esselts, the Swedish office equipment, posted nine-munth pre-tax profits up 14.6 per cent from SKr378m to SKr431m (\$65.52m) on sales down from SKr9.08bn to SKr8.45bn. Net profits were SKr272m against SKr229m, and earnings per share increased from SKr6.70 to SKr7.90. The company confirmed its earlier forecast that its pre-tax profit in 1996 would be higher then last year, although the rate of growth will not be as high as. The shares closed up 6Kr2:

Reselts said an 8 per cent strengthening in the krone in the first nine months reduced sales by around SKr7/5m. Calculated in exchange rates prevailing last autumn. - :

Esselte's pre-tax profit would have been SKx55m higher. Mr Bo Lundquist, chief executive, said positive effects on profits from its recent acquisitions were expected to develop well in North America and southern Europe, as well as in the UK and the Nordic region, excluding Sweden, while the Asia-Pacific division is still building up its operations and had a negative effect on profifs. AFX News. Stockholm

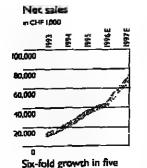
Statoil slips 13%.

Statofi, the Norwegian oil group, posted nine month net profits down 13 per cent from NKr4.5bn to NKr3.9bn It expected low oil stocks, good demand and high oil prices in the fourth quarter maintaining operating profit levels for the rest of the year. AFX Neura Oale

In mid-November the registered shares of SEZ Holding AG, Zurich, will be floated under the lead of Bank J. Vontobel & Co AG and listed on the Swiss Exchange.

A leader in the semiconductor industry

SEZ develops, produces, distributes and services process equipment for the international semiconductor Industry. Its Spin Etch Technology, a completely innovative rotary wet etching process, boosts productivity and helps semiconductor manufacturers to cut their costs. SFZ's client base already includes six of the world's top ten and all of Europe's leading microchip producers.



1986: founded by Egon Putzi and Franz Sumnitsch, the current CEOs, to develop an innovative wet etching process for the semiconductor industry.

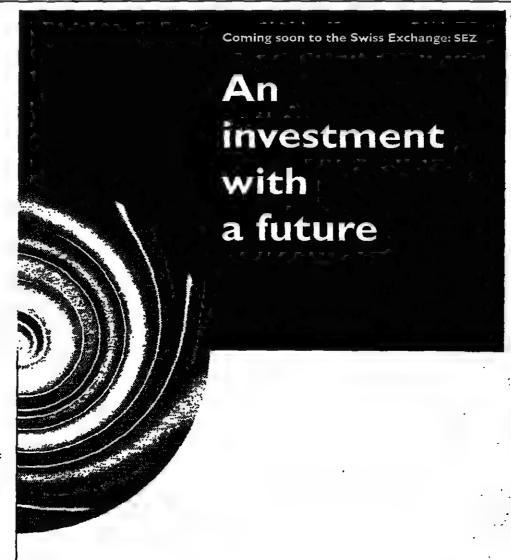
1996: Operational headquarters in Villach (Austria), with subsidiaries in the UK and USA, a joint venture in Japan and strategic alliances in Taiwan, Korea and Singapore. Sales: CHF 43.1 million: net income: CHF 6.8 million: equity ratio after IPO: over 80%,

1997; Quantum leap in growth; sales up 60%, net income up 95%. To obtain full information, order the SEZ company portrait from:

Austria Phone +43 4242 204, or Bank J Vontobel & Co AG, Karin Otti, Bahnhofstrasse 3. 8022 Zurich, Switzerland Phone +41 | 283 71 60

SEZ AG, Monika Kraker. Draubodenweg 29, 9500 Villach.





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accordance with the provisions of the Notes, notice is hereby given that for the abx months interest Period from October 25, 1996 to April 25, 1997 the Notes will carry an interest Rate of 5.6875% per annum. The interest psyable on the relevant interest payment date, April 25, 1997 against Coupon No. 24 will be U.S. \$287.53.

By: The Chase Manhattan Bank London, Agent Bank October 25, 1996

> THE REPUBLIC OF ARGENTINA **NEW MONEY BOND DUE 1999**

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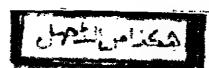
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Aed plans re-launch

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COMPANIES AND FINANCE: EUROPE

Deutsche Bank ahead on back of strong markets

By Wolfgang Münchau in Frankfurt

Deutsche Bank reported a operating profits to DMS.49bn (\$2.27bn) for the first nine months of the year, against DM2.78bn in the year-ago period, a result that reflects the buoyancy of the markets this year.

The figures were in line with expectations, and the shares closed down 12 pfennigs at DM71.45.

Germany's largest bank benefited strongly from increases in earnings both from in-house trading and brokerage income.

Commission surplus went up 25.9 per cent, or DM1bn, to DM4.92bn, while trading profits increased 46.6 per cent to DM2.05bn.

Mr Hilmar Kopper, chairman, said: "We expect this and higher taxes, net profits positive results trend to con-increased at a slower rate tinue in the last quarter this

year". He also underlined the need for continued change at the bank because of intensifying international competi-

Overall costs went up 9.9 "We are not expecting fundaper cent to DM10.9bn, more than analysts had predicted. The unexpectedly strong rise 25.8 per cent increase in came in part from the weakening of the D-Mark relative to last year.

Stripping out the effect of first-time consolidations and changes in the exchange rate, the rise in costs was 4.7 per cent, more in line with expectations.
Deutsche Bank is also

likely to have made provisions for some of the £180m (\$281m) with which it bailed out several investment funds at Morgan Grenfell Asset Management, its troubled UK fund management arm. The item "other expendi-

tures" in the nine-months

earnings report showed a 37

per cent increase to DM1.07bn. As a result of higher costs than operating profits. These rose only 9.1 per cent from DM1.4bn to DM1.53bn. Pre-

tax profits were up 27.1 per cent at DM3.05bn. Mr Stephen Lewis, bank-

mental changes ahead. Rut. after [Deutsche] completes the investment drive at Morgan Grenfell and the consolidation of the domestic branch network, we may see better cost performance and higher profits. At this point in time, I would give them the benefit of the doubt." The bank's mainstream

credit business ended the period in line with targets. Interest margins remained near the low levels of the first half of the

Interest income before risk provisions rose slightly, but was down by 0.9 per cent after risk provisions. The bank's branch net-

work continued to decline in size. At the end of September, the bank operated 60 fewer branches than a year earlier. Most of the reductions were in Germany.

There was a small reduction in the bank's Germanbased staff, but this was more than offset by an increase in staff employed abroad. ing analyst at UBS, said: See Lex



Hilmar Kopper; underlined the need for continued change at the bank to meet competition

Cut in loan provisions buoys **Banco Central Hispano**

By David White in Madrid

Banco Central Hispano, lately the least profitable of Spain's big banks, yesterday reported a 20.1 per cent improvement in attributable group net earnings for the first nine months of the year, to Pta27.31bn (\$212.7m). However, the results were boosted by a big reduction in loan provisions. The shares rose PtaS5 to close at

BCH said the result, which compared with a 13.3 per cent rise for the first half, confirmed expectations of a tripling in attributable profit for the whole year. This follows completion of a financial restructuring which left 1995 consolidated earnings 82 per cent down on the previous year, at

Ptal2.47bn. Mr Emilio Novela, a general manager, said the bank from investment fund and lifted its market share with a 12.8 per cent increase in cus-

the same stage last year, and 18 per cent growth in lending - reflecting, in particular, improved mortgage business. Total assets were up 14.4 per cent at Pta11,472bn.

Before tax and minorities. group earnings for the nine months climbed 43.4 per cent to Pts40.66bn. Exceptional losses of Pta3.26bn. compared with exceptional gains of Pta20.90bn in the same 1995 period, were offset by a 42.4 per cent reduction in net loan provisions, from Pta55.26bn to

Pta31.85bn The ratio of performing loans fell about one-third to 4.1 per cent, and Mr Novela said the figure would be at 4 per cent or below at the end of the year, and between 3.7 and 3.8 per cent for the parent bank.

Fee income, especially pension plan husiness, rose 17.5 per cent to Pta73.8bn.

in the group's personnel and general costs was attributed wholly to the expansion of its Latin American operations, compounded by exchange rate fluctuations. At the Spanish bank, costs were reduced by 10 per cent, while personnel expenses

held level.

Mr Novela confirmed that BCR's planned to raise its stake in the power sector by buying a further 2.5 per cent in the electrical utility Unión Fenosa, increasing its holding to 10 per cent. The additional shares are part of a 7.5 per cent holding in Union Fenosa which the state-controlled Endesa group plans to sell as part of

a reorganisation in the industry.
To back up a wide-ranging industrial co-operation agreement, BCH is also building up its stake in Endesa, from 2.1 per cent now to 3 per cent by yearEUROPEAN NEWS DIGEST

Arthuis calls for CIC confidentiality

Mr Jean Arthuls, the French economics and finance minister, said yesterday he had held a meeting with the top executives involved in the partial privatisation of the CIC banking group to "remind" them of the need for confidentiality and ethical behaviour during the sell-off process. His comments were addressed to Mr Jean-Jacques Bonnaud, the head of the state-owned GAN insurance group, and the senior executives of CIC, the bank which it controls, including Mr Bernard Yoncourt, its chairman, who last week expressed concern about the future survival of the bank under either of its potential

Mr Youcourt earned the repreach of Mr Arthuis for expressing concern about what the plans of the two candidates, Société Générale and Banque Nationale de Paris, for ClC. Both have offered about FFr6bn (\$1.16bn) for a two-thirds stake in the bank. Mr Arthuis stressed that the government would demand that any purchaser to respect commitments, including the need to respect the local character and regional identity of the 11 banks in

However, there are growing questions about whether the privatisation will continue, given growing political opposition, the small number of candidates who have bid and the size of their offers, which would force GAN to

record a substantial capital loss in its books. Andrew Jack, Paris

Endesa advances 11%

Endesa, the dominant Spanish electricity generator which is slated for further privatisation, reported an 11.8 per cent increase in net profits for the first nine months to Pta120.86bn (\$941.5m), although sales stagnated at Pta650.92bn. The shares closed up Pta10 at Pta8.050.

The company, currently two-thirds state owned, said results were helped by the sharply higher availability of cheap hydro-electric power, reduced debt and lower interest rates. Operating costs were 4 per cent lower than in the same period last year. Interest-bearing debt on September 30 was down from Pta626bn to Pta634bn.

Endesa said operating revenues were affected by a 5.6 fall in prices to final customers, resulting from a change in the system of levies for subsidising Spanish coalmines.

The Madrid government recently authorised the company to increase its holdings in two regional utilities, Sevillana and Fecsa, to 75 per cent in a Pta200bn investment. Endesa is at the same time set to shed its 7.5 per cent in Unión Fenosa, but has baulked at government suggestions it should sell its controlling stakes in two northern companies, Electra de Viesgo and Saltos del Nansa. Privatisation of Endesa is planned in stages over the next three years.

'Excellent' year at Munich Re

Munich Re, the German reinsurance company, yesterday said earnings per share in the year to June totalled DM140, more than double those of a year earlier. In a statement released after a supervisory board meeting. Munich Re said it achieved "excellent" earnings in the year to June, driven by an improvement in its underwriting business. The shares closed up DM30 at

in the year to June 1995, net profit was DM325m (\$213.3m), while the underwriting profit was DM18m. It said fluctuating claims reserves stood at DM952m compared with DM788m a year earlier, while reserves for pending insurance claims totalled DM500m, up from DM250m. The company would allocate DM100m to normal eserves, up from DM60m a year earlies

Munich Re said it would propose a DM16 dividend for the year to June, up from DM13,50, out of a net distributable profit of DM132.5m, up from DM102.4m a year earlier. It would ask shareholders to approve a 10-for-1 share split for both its bearer and registered AFX News, Munich

Amper climbs 48%

Amper, the Spanish electronics group, said group net profit climbed 48 per cent from Pta2.03bn to Pta3.04bn (\$23.6m) in the nine months to September 30. Group sales rose 11.4 per cent from Pta26.46bn to Pta29.48bn. Amper said its technical services activity continued to expand. with sales climbing 104.3 per cent to Pta7.97bn. The group's shares closed unchanged at Ptal,940.

Amper said its efforts to internationalise its activities had lifted earnings in the nine months, with exports rising 46 per cent to Pta9.56bn. It said foreign sales represented 32.4 per cent of the group's total sales at Sept 30, compared with 24.8 per cent a year earlier. Amper said its cash flow rose 17.8 per cent in the nine months to AFX News, Madrid

Paris listing for Guyanor

French Guiana, the French department sandwiched between Brazil and Surinam in South America and notorious for its appalling history as a penal colony, now seems likely to emulate another former penal colony -Australia – and become a substantial producer of mineral wealth. That is the message being taken to European investors this week by Guyanor Ressources, an exploration company which later this month will become the first French Guianese company to be quoted in Paris when it joins the nouveau marché.

Mr David Fennel, president, said yesterday: "We believe that by having Guyanor Ressources seen as a French company trading in France we will attract a healthy premium for our shares." Mr Charles Kernot, analyst at Paribas Capital Markets, agrees. "The French location of its properties should make it doubly attractive to European funds that want to increase their gold exposure." he suggested.

At present Guyanor is valued on the Toronto exchange at about C\$525m (US\$390m). It will issue between 1m and .5m new shares in Paris to raise C\$14m to C\$21m for further exploration. This will reduce the holding of its parent, Golden Star Resources, from 70.7 to 67.9 per cent. Guyanor has a diamond and four gold projects in

French Guiana and already has some substantial partners that are providing nearly all the cash for development. Asarco and Cambior are involved in the gold projects and Broken Hill Proprietary is financing the diamond exploration. Kenneth Gooding, Mining Correspondent

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September 1996

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OHNNIES INDUSTRIAL CORPORATION LIMITED

(Incorporated in the Republic of South Africa) Reg. No. 01/00429/06 ("Johnnic" or "the Company")

RESULTS OF THE CAPITALISATION SHARE AWARD AND RIGHT OF ELECTION TO RECEIVE INSTEAD A FINAL CASH DIVIDEND OF 72 CENTS PER SHARIFAND RIGHT OF ELECTION TO SUBSCRIBE FOR NEW SHARES

The right of election to receive a final cash dividend of 72 cents per share instead of the award of capitalisation shares ("the capitalisation award") and the right of election by those shareholders electing the cash dividend to apply the dividend in subscribing for new Johnnic shares ("the subscription") made to ordinary shareholders registered at the close of business on Friday, 13 September 1996 ("the record date"), closed at 14:00 on Friday, 18 October 1996. The weighted average traded price of Johnnic shares on the Johannesburg Stock Exchange ("the JSE") for the three day period ended 17 October 1996 was R53-56. Accordingly, the award of capitalisation shares and the subscription for new shares was determined as a ratio of 1-418969 new shares for each 100 shares held on the record date.

Elections to receive a final cash dividend were made in respect of 85 287 008 shares. Accordingly, final cash dividend No. 141 of 72 cents per share in respect of the year ended 30 June 1996 has been declared on those shares, amounting in total to R61 370 645.76. Elections to apply this dividend in subscribing for new shares in Johnnic were made in respect of 60 804 041 of these shares. An amount of R43 778 909-52 was therefore applied in terms of the subscription. Accordingly, I 808 792 new fully paid Johnnic ordinary shares of 10 cens each have been alloted in terms of the capitalisation award and the subscription. Following the issue of the subscription and capitalisation shares the issued share capital of Johannic will consist of 153 764 806 ordinary shares of 10 cents each. Shareholders holding 83-92 per cent of the share capital have been alloted new shares in terms of the subscription and the capitalisation award and shareholders holding 16-08 per cent have elected to receive the final cash dividend.

The listing of the 1 808 792 new ordinary shares in Johnnic will commence on the JSE from the start of business on Friday, 25 October 1996.

sting of share certificates and dividend/fractional entitlement cheques Share certificates in respect of capitalisation and subscription shares and dividend/fractional entitlement cheques will be posted to shareholders on or about Friday, 25 October 1996.

Johannesburg 25 October 1996

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ETBA FINANCE

FINANCIAL AND ECONOMIC SERVICES S.A. (formerly GREEK EXPORTS S.A.)

ANNOUNCEMENT OF A FIRST REPEAT PUBLIC AUCTION FOR THE HIGHEST BIDDER FOR THE SALE OF THE ASSETS OF THE "COMMERCIAL AND INDUSTRIAL PLASTIC PRODUCTS S.A." with the trade name of "ASPA PLAST HELLAS" PRESENTLY UNDER SPECIAL LIQUIDATION

ETBA FINANCE Financial & Economic Services S.A., established in Athens at 1 Economicnous & Vas. Constantinou Streets, in in especity as special liquidator of the above company, which is presently under special liquidation as per article 462 of Law 1892/1990, and in accordance with Decision No 450/1996 of the Piracus Court of Appeal and following instructions dated 15/10/96 from ETBA, the creditor as per para. I or article 462 of Law 1892/1990

a flire repeat international public auction for the highest bidder with scaled, binding offers for the sale of the total assets of the "COMMERCIAL AND INDUSTRIAL PLASTIC PRODUCTS S.A." with the trade pants of "ASPA PLAST HELLAS"

ACTIVITY AND SUMMARY DESCRIPTION OF THE COMPANY

The company under special liquidation has a factory which produces PVC profiles and plastic frames. It is situation in the Lamia industrial zone on a plot 34,000 m2 in area. The factory building occupies a surface area of 7,784 m2 while the offices extend over 1,338 m2. The building housing the factory and offices has been built with prefabricated sections of reinforced concrete and has been filled with plastic frames and an industrial floor in the factory, while the office floors are of marble or covered by filled carpets. The area surrounding the building is landscaped, with driveways, and is waited around. There is also a water-rank. A detailed description of the foregoing and the mechanical and other equipment is contained in the Officing Memorandum to which you are referred.

TERMS OF THE ANNOUNCEMENT

 The present Auction shall be carried out in accordance with the provincers of article 46a of Law 1892/1990 as complemented by article 14 of Law 2000/1991 as in force today, the terms contained in the present Aurotancement and the terms contained in the relative Offering Memorandum regardless of whether or not they are repeated in the present Aurotancement. The abssion of a binding offer implies acceptance of these terms.

Each interested party is invited to receive from the Liquidator the deniled Offering Measurandum and ask for any other information concerning the company under Equidation following a written promise of confidentiality.

Interested parties are invaled to subtain a scaled, written and binding offer to the Athens notary public assigned to the asciton, Mrs. Alexandra Mergianou-Nicolaidi at 69 Panepistimiou Street. 7th Floor, tel. (301) 322,2090 up to 12:00 noon on Thursday, 14 November 1996. Offers must be submitted in person or by a legally authorised representative. Offers submitted beyond the specified time limit will not be accepted or considered. Offers must not contain terms upon which their bindingness. and or which may be vague with respect to the amount and manner of payment of the officed price or to any other

On penalty of invalidity, offers must be accompanied by a letter of guarantee from a first class bank legally operation. On penalty of invalidity, offers must be accompanied by a letter of guarantee from a first class bank legally operation.

Greece, valid until adjudication for low bidders and up to the signature of the sale contract for the highest bidder, of one hundred million (100,000,000) dractumes.

The offers will be unscaled by the above mentioned notary in her office at 14:00 hours on Thursday, 14 Novemall persons having submitted offers within the specified time limit are entitled to attend.

Offices must clearly specify the officed amount and manner and time of payment (cash or on credit, interest to be charged or not, the interest rate, the number of instalments and when they fall due etc. If mention is not trande: a) of the mainter of payment of the main portion, b) whether interest will be paid on the balance on credit, c) the interest rate, then it will be assumed that: a) the price will be paid in each, b) interest will be charged on the balance on credit, c) the unterest rate will be that which is in force at the time the offer is submitted for Greek State bonds of one year's duration. ber of instalments and when they fall due etc. If mention is not made: a) of the manner of pay

The submission of an offer of participation is the Auction binds the buyers to the commitment of keeping the installations of the company in liquidation in operation for at least five (5) years.

On all the points commined in the offers and on any other terms that may be agreed upon (job positions, amount of investment leagth of time of operation, etc.) the buyer mass accept clauses and other accurry, additionally covered by real collateral. nor with his commi

Essential guidelines for the evaluation of the offers are.

a) the size of the amount offered

- the number of job positions created
- the sociality provided for the settlement of any balance of the affered price on credit and for the execution of any remaining terms under commitment

orthiness, and business reputation of the interested pen the business plan and in particular the size of fetters investi

10. In the event that payment is to be on credit, the current value will be taken into necount and will be calculated at a fixed rate of interest for all offers, this being the rate in force at the time of submission of the offers, for interest-boaring Greek State bonds of

11. The highest bidder is the one whose offer has been judged by the creditor, the HELLENIC INDUSTRIAL DEVELOPMENT BANK (ETBA) S.A., following the proposal of the liquidator, as being in the best interest of the creditors of the cor

The elements that constitute the company's Assets shall be transferred "as is and where is" and, more specifically, in their senual and legal condition and wherever they are on the date of signature of the sale contract. The liquidator, the company under liquidation and the creditor are not liable for any legal or actual faults, lack of any qualities or any incomplete or insecurate description of the asset for sale in the Offering Memorandum. Internet parties must, on their own responsibility and due care, and by their own news, and at their own expense, inspect and form their own opinion of the objects for sale. The submission of an offer implies that interested farties are fully aware of the actual and legal condition of the objects for sale.

In the event that the party to whose the asset for sale have been adjudicated falls in his obligation to appear and sign the relative contract at the time and place indicated in the relative sevication of the Equidator, in accordance with the terms arising from the present Amountement and from his offer, then the amount of the guarantee status above is forfeited to the Liquidage to cover expenses of all kinds, time spent and any real or paper loss suffered by houself and by the creditor, with no obligation on their part to provide evidence of such loss or consider that the amount has been forfeiged as a possity clause, and collect it from the

The liquidater bears no responsibility or obligation towards participants in the auction, both with regard to the drafting of the systuation report on the bids or to the liquidator's proposal regarding the highest bidder. Also he is not responsible and nor is he under any obligation to participants in the auction in the event of a cancellation or invalidation of the auction if in result is deemed misstalectors.

15. Those participating in the succion and who have submitted offers do not acquire any entitionment, clean or demand, on the strength of the present amountment or their participation in the atention, against the figuridator or the creditors for any cause or

16. In accordance with para, 13 of article 46a of Law 1892/1990 the sale commet, the transcriptions and any other action involved in its casecution, are exempted from State or third party taxes, dues or stamp daty while the rights and fees of notaries, lawyers, supervisors and registrars of mortgages are limited to 30% of the figure in question. Transfer expenses of the assets for sale (VAT, fees, rights and other exposses) shall be some by the buyers. coment has been drafted by Greek and in English in translation. In any event, however, the Greek text will

For any further information and for the Confidential Offering Memorandum, interested parties may apply to the offices of the

ETBA FINANCE Financial and Economic Services S.A., 1 Eratosthenous Street, 4th Floor, Athens, Greece, Tel. (301) 726.0218, 726.0278 and 726.0506. Fax: (301) 726.0364.

PACIFIC DUNLOP LIMITED ACN 004 085 330 NOTICE TO CREDITORS

Creditors of Pacific Dunlop Limeted and its Subsidiaries including holders of: ested convertible bonds duc in 1997.

Euro Medisus Term Notes lessed by Pacific Dunlop Limited.

Debt securities including notes and bonds issued by each of Pacific Dunlop Limited and Pacific Dunlop USA inc.
 Commercial paper or promissory notes issued by each of Pacific Dunlop Limited, Pacific Dunlop USA inc. Pacific Dunlop (Asia) Pty Lat. Pacific Dunlop Finance (Asia) Pty Lat. 2nd Pacific Dunlop Holdings Inc.

TAKE NOTICE THAT (1) at the Ammal General Meeting of Pacific Dunlop Limited to be held in the John Batman Theatre at the World Congress Centre, Car Fitnders and Spenoor Streets, Methourse on 15 November 1996 at 2.15 pm, it is proposed to consider and if thought fit, pass the following special resolution in relation to Pacific Dunlop Limited share premium account:

That with effect on and from the date of the passing of this resolution, \$340,208,000 be transferred from the Company's share previous account to its

(2) Under the Corporations Law the proposed transfer must be confirmed by the Supreme Court of Victoria.

Supreme Court of Victoria are 19
November 1996 and 22 November 1996. Creditors may object to the

RYPLANATORY STATEMENT

The Pacific Dualop Limited group's results for the year to 30 June 1996 were affected by losses and provisioning in the medical products subsidiaries.
These losses and provisions led to a decrease in the value of Pacific Dualop Limited's investment is, and losse to, several subsidiaries. The amount of the decrease was \$340,208,000.

ent has been charged in Pacific Dunlop Limited's profit and loss acc has an elemental item. At 30 June 1996 and before accounting for the decrease.

Pacific Dankop Limited's retained profits stood at \$510,105,000. After accounting for that decrease the behave of Pacific Dankop Limited's retained profits at the

ing from the share premium account an amount equal to the amount crease, \$340,208,000. After the transfer the share premium account

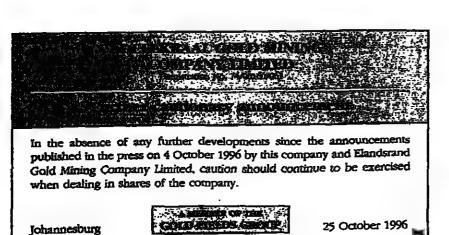
Creditors should note that the proposal transfer does not involve a distribution to shareholders. The effect of the transfer will be dust the retained profits are replenished so that the decrease in the value of Pacific Dunlop Limited's inventment in, and losses to, certain subskillaries does not diminish the Board's ability to declare future dividends.

ability to declare future dividends.

The Board considers that the implementation of the proposal will have no adverse impact on the creditors of Pacific Dunlop Limited or any substituty. However, a holder of 6.75% convertible bonds issued on 3 July 1987 who converts those bonds at the convertible bonds issued on 3 July 1987 who converts those bonds at the convertion price of \$4.76 per ordinary share may be entitled, if a dividend has been paid prior to convertion from the smount transferred, to the payment the holder would have received had the bonds been converted prior to the date of the dividend. From that issue, bonds to the value of USS72_233,000 remained to be converted as at 30 June 1996. The last date for conversion is 10 June 1997.

To assist shareholders and creditors to understand the accounting and other leaplications of the transfer, the Board lass commissioned KPAG to prepare a report on these matters. A copy of the report is a waitable from the Secretary. Pacific Dustlep Limited, Level 41, 101 Collins Street, Melboume, Vic., 3000.

Prices for elegatory determined for the purposes of the elecatory pooling and estimated in England and Water.



COMPANIES AND FINANCE: THE AMERICAS

Regulatory uncertainty threatens Baby Bell rally

By Richard Waters

After the beating they have taken on the stock market since the beginning of this year, the recent bounce in the share prices of the US regional telephone companies will have come as some thing of a relief.

But the likelihood of prolonged regulatory uncertainty as the US moves to open up its local telephone markets to competition is likely to put a lid on further gains in the short term, US telecoms analysts say.

In the meantime, as recent third-quarter results suggest, the Bells seem set to record continued moderate growth in their core local telephone services ahead of deregulation, with the strongest growth in areas such as the south-east and the west.

This month's rebound in Baby Bell stocks owes much to the decision by a federal appeals court in Kansas to put a temporary stay on the process of deregulation set in train by the Federal Communications Commission in August. The ruling potentially protects the core cash flow of the Baby Bells for longer by slowing the onset of competition in local telephone markets.

By leaving more power with the states to lay down the terms on which competition takes place, rather than Federal regulators, the stay may also tilt the new competitive playing field more in the Bells' favour.

The Kansas ruling, says Ms Stephanie Comfort, telecoms analyst at Morgan Stanley, represents "a small victory" for the Baby Bells but it does not change the fact that long-distance carriers and cable TV companies to complete calls in their

The Olympic Games helped

sion sales at Grupo Televisa.

but high fixed costs pushed

the Mexican media group

into a net loss of 43.7m pesos

Total sales for the quarter

"Television sales were pos-

expected. But Mexico's con-

were 2.7bn pesos, up 10 per

cent in real terms from the

third quarter of 1995.

same period last year.

sustain third-quarter televi-

in Mexico City

Baby Bells - third quarter

		Re	A6iIIT98	Line		Eps :
:		\$bn	growth	growth		GLOM IL
	•		(%)	(%)		(%)
	BellSouth	· 4.9	9.9	1 1 49	0.63	** 抱 5**
	Ameritech	8.7	10.1	0.7	0.94	.22
i	SBC Comms	3.6	9.4	52	_ 0.9 7	CEÓE "
1	Bell Atlantic	. 3.3	5.2	3.7	1.10	(20.3)
	Nymex	3.4	5.3	119	0.90	12.5
	US West	2.5	5.3	5.1	0.50	(1.6)
	Pacific Telesis	2.4	6.3	1	0.67	100
	* Marth Cast cod.		-		-	- Companies

will shortly be able to attack local areas. These fees, their local monopolies. Cur- which typically account for rent stock market valuations 20-25 per cent of a Bell's revthat isn't possible in a com- cally over time. petitive environment". Ms Comfort adds

Uncertainty over two reguis likely to hang over the Bells, extending the caution Wall Street has felt about their shares since the landmark Telecommunications Act was passed in February. One concerns the pace and

the terms of deregulation. With the FCC's rules on hold, some states - for instance, Texas - have leaned towards rules which tend to play more into the hands of the local telephone companies. Others, though, may have produced regula-tions which favour long-distance companies

even more than the FCC. Also, some Bells are likely to face competition earlier than others. Ameritech, based in Chicago, finds itself in the middle of the most competitive local market in the US, with a number of carriers having already laid their own networks.

The other main regulatory uncertainty concerns the reform of access charges the fees that long-distance companies pay to Baby Bells

High costs push Televisa

sions do worse," said Mr

Shayne McGuire, an analyst

at Deutsche Morgan Grenfell

of Televisa's total sales,

profit of 831m pesos for the export sales, revenues from the past its operating margin

the border with the US, and

additional advertising dur-

division suffered a 5 per cent

while its cable service.

However, the publishing

ing the Olympic Games.

Television sales, which

in Mexico City.

(\$5.6m), compared with a 1.66bn pesos. helped by

itive and performed much as fall in sales to 466m pesos,

tinuing sluggish consump- which is waiting regulatory

into red in third quarter

"are still based on growth ennes, will be reduced drasti-

The question, though, is how far and how fast they will come down. The FCC is latory actions in particular due shortly to lay out its proposals in this area, and to give some indication of the scale of the so-called Universal Access charges Which will be levied to subsidise residential service in unprofitable parts of the country.

Meanwhile, the latest quarterly figures reflect mixed success among the Bells in increasing their number of access lines, on which their local service depends. At Ameritech and SBC Communications, for instance, the growth in new access lines slowed during the quarter, prompting some on Wall Street to caution that selling second lines to residential customers - one of the engines of growth until now - is becoming more difficult.

BellSouth, based in Atlanta, remains many anslysts' pick as having the best growth prospects. At \$39% yesterday morning, its shares are down 13 per cent from their high early in the year - against a 26 per cent fall at Nynex and a 20 per cent drop at Bell Atlantic.

fonos de México, saw

sales fall by a third to

131 per cent to 272m pesos.

large fixed costs - its labour

cent of total costs - and in

cent than the last quarter's

results were positive overall,

Televisa has to do much bet-

ter in future to cover its

high fixed cost structure,"

"Even though these

level of 10 per cent.

Mr McGuire said.

Operating profits rose by

Sim pesos.

represent almost two-thirds However, the company has

jumped 20 per cent to force represents about 50 per

newly acquired stations on has been closer to 25 per

AMERICAS NEWS DIGEST

Boeing ahead 13% in third quarter

Strong demand for new sircraft from a healthy airline industry propelled after tax earnings at Boeing, the US aircraft maker, ahead by 13 per cent to \$254m during the third quarter of the year. Sales rose 28 per cent to \$5.6bn. The Seattle-based company attributed the lower profit

margin during the quarter to a higher tax rate and higher research and development spending. For the first nine months of the year as a whole, the effective income tax rate rose to 18 per cent, from 8.4 per cent a year before, it-

During the first nine months, Boeing reported its operating profit margin had slipped from 11.7 per cent to 10.6 per cent, as sales of commercial aircraft increased by 11 per cent to \$12bn. The decline was due to a growth in sales of the new 777, and reflects the normal lower profit margins seen on new models, the company said.

Mr Philip Condit, chief executive, called the pace of orders for new aircraft "encouraging", thanks to the growth in traffic and profitability in the airline industry. Boeing's earnings per share during the third quarter rose to 74 cents, from 66 cents a year before, in line with Richard Waters, New York market expectations.

Arco and Itochu in coal deal

Atlantic Richfield of the US and Itochu of Japan signed a purchase and sale agreement to acquire Coastal Corp's western US coal operations, which are held by Coastal States Energy Co, for \$615m. The operations, composed primarily of three underground coal mines in central Utah, will be held in a limited liability company owned by subsidiaries of Arco, holding a 65 per cent interest, and Itochu, holding 35 per cent AFX News, Denver

Quaker Oats balked by Snapple

Despite an expensive marketing campaign, declining sales of its Snapple drink continued to drag down Quaker Oats' performance in the third quarter. Excluding the gain on the sale of its frozen foods businesses and a restructuring charge, earnings per share rose to 53 cents, up from 45 cents for the comparable period last year, helped by lower interest charges and foreign tax benefits.

But third quarter sales of \$1.44bn were 8 per cent below last year's \$1.55bn, which included \$72m in sales from divested businesses. The shares slid 4 per cent, even though earnings exceeded analysts' estimates.

Strong operating income in US and Canadian foods was offset by higher spending on a sampling drive, as the company struggled to reverse the decline of Snapple, which it bought for \$1.7hn in 1994. Despite this, the operating loss on Snapple widened; as sales fell 9 per cent

US and Canadian food sales were up 2 per cent on last year despite a 15 per cent decline in ready-to-eat cereal prices, but overall, foods operating income of \$89m was slightly down on last year. Tracy Corrigon, New York

Falling prices hit Dow Chemical

Falling chemical prices pulled Dow Chemical's third. quarter earnings per share down 11 per cent on the previous year, despite higher sales volume. Sales of \$50n. were up 2 per cent, reflecting a 9 per cent decline in prices and an 11 per cent increase in volume, compared with the third quarter of 1995. Earnings per share of \$1.82 were slightly higher than analysts estimates, which averaged. \$1.89. Dow's shares rose \$% to \$78%.

Despite a \$433m erosion in prices and a \$200m increase in energy and feedstock costs, operating income fell only \$200m, the company noted. Operating income inchamicals and metals fell from \$324m to \$203m, which the company blamed on higher energy costs and lower prices for caustic soda and vinyl chloride monomer. Speciality chemicals posted another good quarter, the company said. Tracy Corrigan

CORRECTION

AirTouch Communications

AirTouch Communications' third-quarter net profits were mis-stated in a headline in yesterday's edition. They were

Santander buy steps up Latin expansion

By David White in Medrid and Lesiie Crawford in

When Banco Santander takes a 75 per cent stake in Grupo Financiero Inverméxico. Mexico's fourth-largest financial group, it will give foreigners control of more than 15 per cent of Mexico's banking assets, according to analysts. Yet only four years ago, foreigners were barred from taking part in the privatisation of the Mexican banking system. The \$378m deal will see

current shareholders inject \$47m of fresh capital into Inverméxico, which includes Banco Mexicano, a small bank with a large number of poor corporate loans, and a tander will inject \$166m of brokerage house. Yet Santander will inherit

healthy Mexican bank: as the condition of the purchase, it demanded that Banco Mexicano be purged of its portfolio of bad loans. Mr Eduardo Fernández. Mexico's chief bank supervisor, said the government had

agreed to absorb \$2.37bn of Mexicano's bad loans, the biggest government bail-out of Mexico's banking crisis to date. The government will also take over about \$330m of Banco Mexicano's current capital to provision against the bad loans it is absorbing - effectively wiping out the capital of Banco Mexicano's present shareholders. San-

fresh capital into Banco Mercicano and lastie \$212m of convertible debt to build up the capital base of Banco Mexicano from scratch.

Santander Investments said the acquisition was part of Santander's expansion strategy in Latin America, where it has invested \$1.9bn to date. In terms of initial investment, however, Santander will be putting substantially less into the Mexican group than the \$495m it spent earlier this year on gaining control of Chile's Banco Osomo and merging it with its existing activities to form Banco Santander Chile - its biggest initiative

> ANZ Bank Australia and New Zealand Banking Group Limited

U.S. \$300,000,000

Floating Rate Notes due 1998

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present retail 34th Cotober, 1996 to 24th January, 1997, the Notes will carry a Rate of Interest of 5.53125 per cere. per ansum. The Amount of Interest per U.S. \$10,000 Note will be U.S. \$141,35 and per U.S. \$100,000 Notes will be U.S. \$1,413.54, payable on 34th lowers 1997.

in the region to date.
"Our board has authorised Santander to invest up to 20

per cent of Santander's own resources in Latin America." said Ms Botin, adding that Ms Ana Patricia Botin of Santander had not yet reached that figure and was looking for additional opportunities in the region. Banco Santander has also bought bank networks in

Peru - where it acquired Banco Interandino and Banco Mercantil last year and Puerto Rico. Excluding the Mexican acquisition, its activities in Latin America and the Caribbean employ more than 12,000 and involve investments with a book value of some \$1.56bn. Ms Botin said Santander nacional.

would redirect Banco Mexicano's focus to retail banking and the financing of small and medium-sized businesses - a much neglected group in Mexico. Banco Santander is the

third Spanish bank to establish a footbold in Mexico. Banco Bilbao Vizcaya, after building up a minority holding in the troubled Mexican Probursa group, reached agreement last year on a plan to take majority control through a \$350m investment. Banco Central Hispano and its Portuguese associate Banco Comercial Portugues share a 20 per cent stake in Grupo Bital, which controls the 700-branch Banco Inter-

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Notice is hereby given that the Rate of Interest for the Interest Period October 25, 1996 to April 25, 1997 has been fixed at 9.690625% and that the interest payoble on the relevant Interest Payment Date April 25, 1997, against Coupon No. 5 will be U.S.\$489.91 in respect of U.S.\$10,000 nominal of the Notes.

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NOTICE OF EARLY REDEMPTION for Reconstruction and Development (the "laster")

(the "Notes") (ISIN Code XS 0061675434)

issued pursuant to a Euro Medium Term Note Programme Notice is hereby given that all of the outstanding Notes will be redeemed by the Issuer on 28 November 1996, persuant to Condition 5(b) and Paragraph 26(a) of the Pricing Supplement to the Notes. The Notes will be redeemed at their principal amount together with accrued interest to (but excluding) 28 November 1996. Interest shall cease to accrue from 28 November 1996.

Payment of principal and interest will be made against presentation, and surrender of, respectively, the Notes and interest tourous ancertaining to the Notes at the specified office of Morgan Cuarante.

appertaining to the Notes at the specified office of Morgan Guaranty.

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European Bank ITL 150,000,000,000

10.60 per cent. Notes due 28 November 1997

COMPANIES AND FINANCE: THE AMERICAS

US airlines fall short of expectations | Shares

By Richard Tomkins

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ERICAS

EWS DIGEST

Strong growth in passenger numbers and rapidly rising fares should have given US airlines another record quarter in the period to September: but as the last of the big carrier's results came in yes-terday, the message was dis-appointingly mixed.

While many of the carriers managed to increase profits, the growth was not as big as had once been expected: and Continental Airlines, Trans World Airlines and Southwest Airlines saw their prof-

The positive factors in the third quarter were similar to those in other recent quarters. US economic growth has produced rising demand for transport, enabling airlines to fill more seats and charge higher fares.

In addition, a 10 per cent federal excise tax on airline tickets expired on January 1 after the White House and Congress failed to agree a budget, enabling airlines to maintain the same fares and enjoy a windfall by pocketing the tax.

However, a series of nega-

tive factors has recently set in. In the middle of the third quarter, the ticket tax was reinstated, so airlines had less of a bonanza than had once seemed possible. And six of the biggest airlines agreed to pay a total of \$87m to US travel agents to settle an antitrust suit brought over the airlines' imposition

of caps on commissions ear-

lier this year.

Meanwhile, the biggest negative of all came from soaring fuel prices. UAL, the parent company of United Airlines, said the average price of a gallon of fuel was 24 per cent higher in the latest quarter than a year earlier, driving its fuel bill up by \$103m to \$538m; and other airlines saw increases of a similar order.

In spite of these extra costs, UAL managed to register a big increase in profits, Net income surged 40 per cent to a record \$340m on the back of higher ticket prices and strong traffic, and plan to spend \$386m on refurbishing the interiors of its aircraft in the hope of

US airlines: third-quarter results

Arune	\$5n 1996	change on 1965	Net profit \$m 1996	change on 1995
DAL	4.5	v 😂 🙀	340	i . +40
AMR	4.2	+2	282	+23
Delta	3.4	. 46	236	+32
Northwest Air	2.4	+8	248	+15
USA	2.1	``;+12,`	3 £ £ 2 45	+110
Continental	1.7	+10	18	-84
WA	1.0	45	(14)	`,n√a
Southwest Air	0.9	+17	61	-10

by announcing that it was net profits by 23 per cent to going to tle its executives' compensation to on-time performance instead of its share

The company said the move was intended to improve customer service, but cynics said managers could make money simply by padding extra time into the flight schedules.

AMR, parent of American Airlines, warned last month it was facing higher costs because of fuel price the company announced a increases and protracted pay negotiations with its gilots' union.

However, its figures did attracting more customers. not disappoint; higher ticket UAL also raised eyebrows prices helped it to increase

plan that backfired when the company found itself with insufficient aircraft to fulfil the published schedule. Southwest Airlines, argu-

July 17 But a bigger factor

ably the most successful airline in the US, disappointed investors by reporting a 10 per cent fall in net profits to \$61m. Part of the reason was a \$25-a-ticket fare sale in July that jammed the company's switchboards and prevented higher paying customers from getting Another winner was Delta

through. The effects of that fare sale spread beyond Southwest itself: they reached Continental Airlines, which saw net profits tumble from \$111m to \$18m after a \$77m after-tax charge for new aircraft.

ValuJet Airlines, a low-cost carrier that made big But USAir, Continental's biggest rival on the east coast, increased net profits by 110 per cent to \$45m even World Airlines suffered a after a \$41.1m pre-tax charge for a profit-sharing plan. Strong traffic, particularly on international routes, helped.

still-unexplained crash of Jet fuel sours to highest Flight 800 off Long Island on in five years, Page 31

in P&G slide 4% as probably an over-ambitious expansion sales slip

By Richard Tomkins

Sbares in Procter & Gamble, the US consumer products group, tumbled \$3%, or 4 yesterday after the company reported that world-wide sales growth had gone into reverse in the fiscal first quarter to September.

The company had warned that the quarter would be a weak one, but investors were apparently unprepared for the 1 per cent fall in sales from \$9.03bn to \$8.9bn, caused partly by shifts in exchange rates.

Net profits rose 8 per cent to \$979m, as did earnings per share, which climbed to \$1.39, slightly above analysts's forecasts. On a fullydiluted basis, earnings per share were 10 per cent abead at \$1.30.

Procter & Gamble said world-wide volumes were up 1 per cent, and sales would have risen at about the same pace were it not for the weakness of other currencies against the dollar – par ticularly the German mark and the Japanese yen.

"Although this progress is below recent levels, the company looks to achieve an improved rate of volume and sales growth over the balance of the fiscal year," Procter & Gamble

The company suffered tough competition in Japan and difficult economic conditions in Latin America, while in Europe and Asia, it felt the effects of its decision to cut promotional spending in favour of everyday low pricing.

Mr Gordon Pepper, chairman and chief executive. said the expansion of the company's efficient conminer response programme and its key element, value pricing, had created "some short-term business impacts."

Volumes rose 3 per cent in North America and 5 per cent in Europe, Middle East AMERICAS NEWS DIGEST

Tandem ahead of forecasts in term

Tandem Computers, the US manufacturer of fault-tolerant computers, announced higher than expected fourth-quarter earnings, with income from continuing operations at \$40m, or 34 cents a share, compared with \$23m, or 20 cents, in the same period last year. Revenues from continuing operations were \$543m, compared with Excluded were results for UB Networks, a Tandem

planned to divest. Over the past year the company has restructured its operations into business units and set a new product strategy that involves moving its proprietary software to the Microsoft Windows NT operating system. Annual revenues from continuing operations were \$1,90bn for fiscal 1996, against \$1.92bn in 1995. The company reported a loss for the year on continuing operations of \$5m, or 4 cents a share, including a second quarter pre-tax restructuring charge of \$52m. This compares with fiscal 1995 income of \$96m, or 82 cents a

subsidiary, which the company previously announced it

Fourth-quarter sales were strong, particularly in Europe. This is in contrast with the results of many US computer companies that have reported weaker sales in Europe over the same period. Louise Kehoe, San Francisco

Goldman Sachs in \$60m buy

Goldman Sachs is paying about \$60m to acquire Liberty Investment Management, a Florida-based company with \$5.4bn in assets under management. The US investment bank's latest move to expand its fund management business follows the purchase of CIN Management in the UK in August.

After the Liberty transaction is completed, Goldman Sachs Asset Management will manage funds totalling about \$92bn globally. Liberty will initially keep its name. but its products will eventually be sold under the Goldman Sachs name, according to sources close to the Tracy Corrigan, New York

Imasco turns in 8% rise

Imasco, the financial services, tobacco and retailing group 42 per cent held by BAT Industries, of the UK, posted an 8 per cent gain in third-quarter profit to C\$166m (US\$124m), or 71 cents a share, from C\$154m, or 65 cents, a year earlier, on revenues of C\$2.4bn, against C\$2.2bn, Financial services gained 34 per cent at the operating level, retailing 31 per cent, and tobacco 8 per cent, while the US fast food unit broke even. Nine months overall earnings were up 10 per cent to C\$437m on revenues of C\$6.9bm, up 8 per cent. Robert Gibbens, Montreal

Falling copper price hits Asarco

Asarco, the US mining group, saw third-quarter earnings drop to \$6m, from \$58.3m a year earlier. It said the decline in the copper price over the past year is estimated to have reduced the company's net earnings by about \$67m in the quarter. Improvements in operations and price increases of other metals Asarco produces offset a portion of this

However, Mr Richard de J. Osborne, chairman, said: The fundamentals of the copper market are good and getting better. Production from new mines is being absorbed by rising consumption and inventories in commodity exchange warehouses are declining rapidly." Reuter, New York

Placer Dome shows 33% decline in third quarter

Placer Dome, the Vancouverbased mining group, posted a 33 per cent drop in thirdquarter earnings, although the latest period marked a significant improvement from earlier this year. "We had a terrible first

half, but we've turned the corner," the company said yesterday. Net earnings fell to

US\$16m. or 7 cents a share, in the three months to Sept 30, from \$24m, or 10 cents, a year earlier. Sales rose from \$264m to \$283m. Placer shares slipped 15

in early trading yesterday.

Earnings from gold operations, reflecting stron-operations dipped slightly ger local currencies against from \$77m to \$74m. But they were a marked improvement on the \$41m and \$47m in the first and second quarters, respectively.

Placer's share of gold output from mines in North and South America, Australia and Papua New Guinea fell from 535,000 ounces to 503,000 omces.

Cash production costs averaged \$210 an ounce, up from \$201 a year earlier but below the \$246 in the first half of 1996. Placer estimates gold out-

put for 1996 at 1.95m ounces, with average production cants to C\$33.15 in Toronto costs of \$235, or about a quarter higher than 1995.

the US dollar, higher spending on repairs and maintenance, and consumable inventory costs.

mine in Australia will be hit by mining a higher-cost ore-The new 50 per cent-owned Zaldivar copper mine in

Costs at the Granny Smith

Chile is due to reach full production of 125,000 tonnes in 1997. Placer's share of output in the first nine months of this year was 27.500 tonnes, or about 14 per cent below budget, because of various production problems.

Placer said it expected to complete feasibility studies at the Mulatos property in The sernings decline was The disappointing cost Mexico and the 53 per cent-partly due to lower molybde performance is centred on owned Mt Rawdon deposit in partly due to lower molybde performance is centred on owned Mt Rawdon deposit in Hollinger previously owned John Fairfax, and several and Africa, but fell 9 per num prices. Investment Placer's Australian and Australia by the end of the about 20 per cent of Sou-hundred US papers, includ-cent in Asia and 8 per cent

How to play Russian roulette

Robert Corzine and Jane Martinson on oil and gas investment

Hollinger plans to lift Southam stake

By Bernard Simon

Hollinger International, the publishing group controlled by Mr Conrad Black, plans to gain outright control of Southam, Canada's biggest newspaper chain, by raising its stake from 41 per cent to at least 50.1 per cent.

Air Lines, the third-biggest

US carrier, which benefited from traffic generated by the

summer Olympics in Its

home town of Atlanta and

the temporary grounding of

inroads into Delta's terri-

tory. Net profits rose 32 per

Among the losers, Trans

fall in operating profits from

\$46m to \$26m and net losses

of \$14m, partly because of a

fall-off in bookings after the

cent to \$236m.

Hollinger yesterday outlined an offer to buy 7m Southam shares at C\$18.75 each. It will reserve the right to take up more shares if they are tendered. The offer is expected to be mailed on October 4.

The offer price is the same, adjusted for financing costs, as Hollinger paid earlier this year for the 21 per cent stake in Southam held by Power Corporation.

trading at C\$18.50 in Toronto prior to yesterday's announcement. Southam publishes 20 dailies, including the flagship

papers in Calgary, Vancouver, Ottawa and the Montreal Gazette, Montreal's only English-language daily. Mr Black's steadily rising stake has generated consid-

erable controversy in some quarters, as it has coincided with Hollinger's acquisition of several dozen papers from other proprietors. Hollinger International, based in Chicago, is 57.5 per

cent owned by Hollinger Inc. Mr Black's main holding company. Hollinger also owns the UK Telegraph group, which has a 24 per cent stake in Australia's

This announcement appears as a matter of record only.



Nederlandse Waterschapsbank N.V.

AAA/Aaa rating

NLG 5,000,000,000 Multicurrency Debt Issuance Programme

Standard & Poor's Moody's

AAA

Short Term debt rating

Aaa

ABN-AMRO HOARE GOVETT

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end there is no shortage of smaller western oil companies which concentrate on the Russian energy sector. While their size varies widely, recent political events have underlined the

attendant risks to all such investments. So, how do investors interested in the sector decide on the relative merits of the

companies involved? Analysts point to several advantages in investing directly in the international offerings of Russian oil and share offer of about 1 per cent to foreign investors was oversubscribed and valued

the group at about \$37bn They predict that Gazprom's international offering should trade easily over the counter and point to the rigid registration procedures to stop lower-priced domestic shares seeping into the higher-priced international

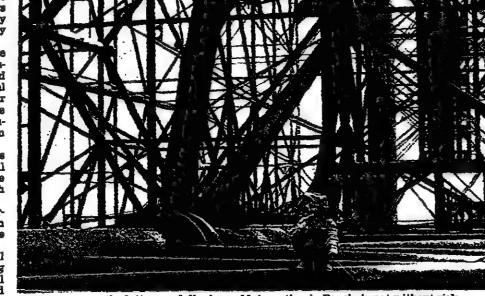
offering However, political volatility is not the only potential drawback to direct investments. Foreign investors, unable to build large stakes. will have little influence on

Russian management. And, although financial information standards in the top tier of Russian energy companies have improved markedly, analysts say there are still "huge information holes" that are unlikely to

be filled for years. This information gap pro-vides western-based and listed companies with one of their main selling points.

Mr Tom Cross, chief executive of Dana Petroleum, the London-listed independent which has co-operative deals with Lukoil and with Yukos, another large Russian oil company, said: "You get the same exposure to the upside and you know what is going

Even so, investing in small involved in Russia has been described as a cross between the lottery and gold digging. for the western companies.



A cross between the lottery and digging gold: investing in Russia is not without risk

to invest in JKX, the indeendent with operations in pendent with operations in Ukraine, because he "liked the story"

Such investments were essentially a bit of a punt based on get-rich-quick ideas," he said. "You have a one-in-five

money and a four-in-five chance of making nothing at all. It's no more scientific "At the end of the day

institutions, a collection of individuais, like to dabble a little bit." The uncertainty is increased by the difficulty of

using normal valuation mea-Most analysts use deeply discounted cash flow models to arrive at an approximate value. These take the value of potential oil revenues at

some future date as a starting point. But then they employ widely varying discount factors to account for the commercial, legal and political risks to arrive at a "true"

present value. Mr Stephen O'Sullivan, an associate director at MC Securities, the investment banking boutique, says these "incredibly high-risk rates" western oil companies can make the companies look cheap per barrel of oil. It can also be frustrating

One analyst confessed to Dana, for example, says it having used his own money makes \$3 a barrel on its Russian production after operating costs. But its share price reflects a profit of only \$1 a barrel. Most analysts and inves-

tors stress the importance of management when it comes to choosing an investment.

Ms Caroline Watson, fund chance of making a lot of manager at Thornton Investment Management, which has a 4 per cent stake in Dana, says faith is essential

in a sector which is "difficult r O'Sullivan says: "There are ways to do it. There are the intangible factors that you have to feel comfortable with at the same time as looking at barrels of oil in the ground and

cash flows." As well as management faith, these intangibles include oil reserve estimates and the integrity of the Russian partner.

Estimates are fundamental to confidence. Investors feel uneasy when a management is felt to be "over-egging what they have", according to Mr O'Sullivan.

The quality of the local partner in Russia is also important. It can determine the strength of a western company's position as well as its access to infrastructure and potential markets. Stories abound of the vast

personal wealth accumulated by top managers of ern executives who deal with Russian companies contend that most personal enrich-Russian companies were established. Many Russian executives

with building international businesses on the western model, they say.

Dublin-based Resources found itself in litigation this year with its former Russian partner. The dispute concerned the right of the Russian Transcontinental Financial-Industrial Corporation, the partner, to a 51 per cent stake in Aki-Otyr, a joint stock company with a licence to produce oil in Siberia.

In June, Bula agreed to pay the Russian Corporation \$2.1m for its disputed share of Aki-Otyr. In return, the Russian Corporation agreed to sell its Bula shareholding. the proceeds of which will go to the company.

With the inherent riskiness of such oil investments, recent political traumas simply form part of the equa-

Mr Douglas Helser, analyst at Foreign and Colonial, says: "Everyone accepts Russia is a very risky market. If they are in it, it's because they think the potential returns justify the risks."

ABN AMRO Hoare Govett has acted as rating advisor to Nederlandse Waterschapsbank N.V.

October, 1996

COMPANIES AND FINANCE: ASIA-PACIFIC

Sharp held back by semiconductor weakness

By Michiyo Nakamoto in Tokyo

Sharp, one of Japan's leading electronics makers, reported a modest increase in profits in the first half amid a mixed trading environment for its main products.

The company's results were hit by the marked drop in semiconductor prices over the past year or so.

On the other hand, Sharp enjoyed buoyant demand for new electronic products, such as digital video cameras and personal handyphones, in its home market.

Non-consolidated recurring prof-(\$319.4m), in line with expectations, on sales 5 per cent up at Y667.5bn. Net profits increased 6 per cent to

The biggest setback in Sharp's first-half performance was the plunge in semiconductor prices. which has forced the company to revise its profits forecast for the full year. Sharp said semiconductor sales in the full year would be Y260bn rather than the initially forecast Y283bn.

profits in the year to March of eras Y74bn rather than Y77bn as previously forecast. Net profits will be Y41bn rather than Y42.5bn. The forecast for sales in the full year is unchanged at Y1,360bn.

which Sharp has been an industry leader, also suffered from a decline in prices.

Liquid crystal display panels, for

its rose 3 per cent to Y36.1bn ductor prices to fall a further 10 handyphones - a lighter, cheaper pany's ViewCam sales, eclipsing per cent in the second half. As a and lower-capacity mobile phone result, it expects overall recurring MiniDiscs and digital video cam-

> While personal bandyphones had been extremely popular, particularly among young Japanese women, MiniDiscs had started to find wider appeal among a young audience on the strength of lower prices and a greater availability ve of MD software, Sharp said.

Meanwhile, sales of digital View-Sharp reported firm demand for Cam video cameras have expanded

The company expects semicon-new products, such as its personal to make up 80 per cent of the comsales of analog versions. Firm demand for these products lifted sales in the audio and communications equipment division by 20 per

> Elsewhere, the popularity of Sharp's notebook personal computers, launched just under a year ago, and its new personal digital assistant, the Zaurus, supported an 18 per cent increase in sales in its information equip-

ASIA-PACIFIC NEWS DIGEST

Solid profits rise at Hitachi Maxell

Hitachi Maxell, the world's leading producer of audio tapes, yesterday reported a sharp increase in interim profits and unveiled plans to triple battery production

Unconsolidated recurring profit - before tax and recurring items - rose 59.6 per cent to Y3.3hm (\$29.2m), on sales up 14.4 per cent to Y57.4bn. Sales of floppy disks rose 23 per cent, in line with world growth in sales of personal computers. Sales of audio equipment and video tapes rose 9 per cent while net profits climbed 23.7 per cent to Y2.4bn.

The group defied the recent trend among Japanese manufacturers towards increasing overseas production, by announcing that it would invest Y1.5bn by next March in a new plant in Ibaragi, central Japan, to increase production of rechargeable batteries from 1.5m to 4.5m units a month. Most of that production will go to Europe and south-east Asia, where demand for cheap batteries is increasing said Maxell. Its decision illustrates how the decline in the yen's value over the past 15 months has restored many exporters' profitability.

William Dankins, Tokyo

Retirement costs hit Pioneer

Pioneer Electronic vesterday announced an estimated extraordinary first-half loss of Y10bn (\$88.5m), on larger-than-expected payouts under a new early retirement scheme. It said the loss would have only a limited impact on its after-tax balance estimate. In May, Pioneer forecast a six-month recurring loss of

Y11.7hn, up from Y7.3hn a year earlier. It now expects to show a recurring loss of Y10n-Y2bn more than originally The loss is because of the unexpected number of employees who applied for early retirement under an

incentive-based scheme, implemented as part of the company's restructuring. The company targeted 650 amployees for early retirement but about 1,000 applied: Guen Robinson, Tokyo

Bank Negara shares priced .

Shares in Bank Negara Indonesia, the Indonesian state owned bank due to be listed on the stock market on November 29, have been priced at Rp850 each, putting the bank on a price/earnings ratio of about 8.7 for this year. The share price values BNI at Rp8,689bn (\$1.6bn). The foreign tranche of the shares was reported to be 10 times oversubscribed. BNI plans to float 25 per cent of its enlarged share capital, or 1.065bn shares. Manuela Saragosa, Jakarta

Tyndall Australia expands

Tyndall Australia, the financial services business controlled by Sir Ron Brierley's Guinness Peat group. yesterday announced it was buying Oceanic Capital, another Australesian life insurance and fund management group, for A\$40m (US\$31.8m). Consideration: will be a mixture of cash and medium-term convertible

Earlier this year, the listed Australian group indicated. it would look at further acquisitions after completing a-rights issue. Tyndall said that Oceanic operated in similar market sectors to itself - notably risk insurance - and that the deal would lift funds under management to around A\$6.8bn.

gain lifts Newcrest to A\$154m

By Nikki Tait in Sydney

A A\$225.6m (US\$179.3m) abnormal gain on the liquidation of gold-hedging postions helped Newcrest Mining, the Australian gold mining group, to a first-quarter profit of AS154m. against AS6.1m last year.

Profits before tax and A\$11.1m to A\$13.3m. Revenues were A\$89.8m, against A\$89.1m, with equity gold production standing at 134,238 ounces, slightly down on last time's

The abnormal item included a A\$270m profit on closing most of its goldhedging positions. Newcrest announced the liquidation of contracts covering about 2m oz of gold in August. This profit was then offset, by A\$47.6m, with "balance sheet adjustments", and augmented by a A\$3.2m profit on the sale of a mine.

The gold-hedging liquidation was seen largely as a response to Newcrest's ill-fated foray into the merger plans of Normandy Mining, the Australian gold mining group. Newcrest bought stakes in Normandy and one of the related merger companies for A\$450m. However, its efforts to join the merger were rebuffed, and its Normandy shares were left showing a

Gold hedge Petronas takes in global panorama

Malaysian oil group is pushing further afield

when the senior according to Mr Hassan.

executives of The company has ten Petronas move into the top storeys of the world's tallest office blocks some time next year, they will inhabit a symbol of the company's ambition. The 88-storey Petronas twin towers, due for completion in a few months, will be a fitting home for a company with

expanding horizons. Petronas is Malaysia's corporate flagship, the country's biggest taxpayer, and one of its most profitable companies. It is also quickly lifting its profile overseas: the Petronas name is now emblazoned on the cars of a Formula One racing team after a deal earlier this year. This month the company successfully launched a US\$1.9bn bond issue in Europe - the second-largest

corporate issue of its type. Such moves are related to the company's overriding concern: expansion into global markets. Mr Hassan Marican, Petronas president and chief executive officer. has said the company aims to derive about 30 per cent of its income from overseas operations by 2005. Analysts suggest less than 5 per cent of group revenues of M\$22.25bn (US\$8.9bn) in the year to March 31 came from

foreign operations. The reason for its concerted push abroad is simple: Malaysia's recoverable reserves of crude oil will last only 18 years at the current production level of

The company has tended to target regions where the government has good - or at least neutral - relations with Malaysia and where competition from the big

groups is not too fierce. The clearest example of this strategy is in Indochina, focus of the company's most comprehensive overseas investment. When Vietnam opened its economy to foreign investment. Malaysia quickly reinforced political and commercial ties. It became involved in the coordination of master plans for the country's petrochemical and gas industries.

The company owns and operates two offshore exploration blocks near Vung Tau, southern Vietnam, and has recently made considerable commercial discoveries in them. It began oil production from another field. Dai Hung, in which it has a 20 per cent stake, in October 1994. In March this year, it signed to take a 30 per cent stake in an oil refinery in Dung Quat, central Vietnam, which is expected to have a capacity of 130,000 barrels a day. It also has a 49 per cent stake in a liquefied petroleum gas terminal and bottling plant with capacity of

20,000 tonnes a year. industry sources say that on September 17, Petronas signed a letter of intent to take a 40 per cent stake in a polyvinyl chloride venture in Vung Tau. The stake, expected to be finalised soon, will 630,000 barrels a day, add a key downstream link

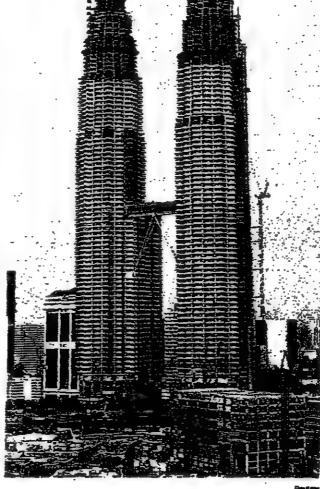
in the company's Vietnam operations.

Petronas is pursuing opportunities in other parts of Indochina, where the trade and investment climate should become easier once Cambodia and Laos join the Association of South East Asian Nations (Asean) next year, and Burma joins some time before 2000. For the moment, though, it is confined to building on a small chain of petrol stations in Cambodia.

In South Africa, as in Vietnam, the company's investments were fostered by warm political ties, Earlier this year it acquired a 30 per cent interest in Engen. South Africa's biggest oil retailer, for about US\$436m.

Other international operations do not so far adhere to the pattern of "specific geographies". The exploration subsidiary, Petronas Carigali, signed the first production-sharing contract between Turkmenistan and a foreign oil company in July this year. The deal is expected to yield its first output in about two years. Another controversial

project is Petronas' 30 per cent stake in two oilfields in Iran, taken in spite of the threat of US sanctions. Its involvement in Iran makes commercial sense on at least one level: its new refining facilities in South Africa are suitable for Iranian but not Malaysian crude, analysts



James Kynge View of the world: the Petronas towers in Kuala Lumpur

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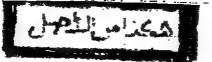
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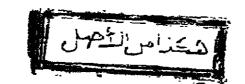
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O NEWS DIGEST profits rise

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Company of the Compan

COMPANIES AND FINANCE: UK

Virgin Express in accord for Sabena flights

By Ross Tieman in London and David Owen in Paris

Virgin Express, Mr Richard Branson's cut-price European airline, has reached an outline agreement to take over lossmaking flights operated by Sabena, the Belgian airline, between Brussels

Under the accord, Virgin is expected to reserve some seats for Sabena passengers hagen, Vienna, Rome, Milan,

Emap

calls for

EGM on

directors

Emap, the media and

exhibitions group yesterday

called an extraordinary

meeting to seek to oust two

of its non-executive direc-

tors who had earlier called

for Sir John Hoskyns, chair-

The meeting is likely to be

at the beginning of Decem-

ber, and is likely to be pre-

ceded by rival campaigns for

The announcement last

night followed a two-day

meeting of all 13 directors

at Melton Mowbray, Leices-

tershire, at which Professor

Ken Simmonds and Mr Joe

Cooke, the two non-execu-

tive directors, called on Sir

John to resign and alleged

he had misled shareholders

and directors over new rules

Over two days of tense

negotiations Mr David Arcu-

hus, group managing direc-

tor, moved between the two

camps of directors, based in

different rooms, attempting

were rejected by both sides.

Sir John's side dismissed a

proposal that he, Mr Robin

Miller, chief executive, and

the two dissident non-execu-

tives resign simultaneously.

Mr Richard Winfrey, deputy

chairman, would have taken

over as chairman. Another

suggestion was that the two

rebels resign at next year's

annual meeting, but they

Professor Simmonds said

he had suggested that both

he and Sir John step down.

but this was thrown out by

At the company's annual

meeting in July sharehold-

ers approved a change to

Emap's articles of associa-

tion which enabled directors

to be ousted with the

approval of 75 per cent of

The company also scrapped the rule that it had

the board.

the board.

to act as a peacemaker. However several proposals

for removing directors.

shareholder support.

By William Lewis and

Christopher Price

man, to resign.

and sell the rest through a Nice, Barcelona and Madrid to begin nine daily services telephone booking system - served by Virgin Express. each way on the Sabena for as little as £50 (\$78)

return. The deal will give Virgin Express access to scarce take-off and landing slots at Heathrow Airport, the busiest in Europe. It will also enable it to offer connections via Brussels between London and seven continental European cities - Copen-

The accord is understood to pose no threat to the arrangement whereby Virgin Atlantic, the inter-continental airline, uses British Midland for feeder services to its long-haul flights. But it will

help Sabena make cost savings demanded by Swissair, which has a 49 per cent stake

routes using its own Boeing 737-400 aircraft before the end of November.

The deal makes it more likely that Virgin Express will concentrate on develop-ing services into France per cent of the French from Brussels, rather than acquire a French airline.

sortium bid for Air Liberté, the troubled French carrier subject to a joint takeover offer by British Airways and Groupe Rivaud, the French bank. Adding Air Liberté to TAT, its existing French air-

domestic market. Administrators to Air Lib-It is understood that Vir- erte are expected to meet gin Express has been today to consider the Virgin Express is expected approached to make a con- FFr630m (\$118.6m) BA/Ri-

tives appear to believe BA is offering a very full price for a carrier suffering heavy

Separately, Nouvelles Frontières, the travel group which this week withdrew from bidding for Air Liberté, confirmed it was interested in AOM, another French domestic airline owned by Crédit Lyonnais, the troubled state-owned bank.

Hays

bonus

By Daniel Bögler

buv-out.

performance.

1989 flotation.

time.

director.

scheme

Hays, the UK business

services group, is launching

an innovative long-term

bonus scheme that mimics

the high risks and lavish

rewards of a management

.Under the scheme, top

managers could turn a

£20,000 stake into £480,000 or

lose their entire investment,

depending on the group's

It is the idea of Mr Ronnie

Frost, chairman, who started

out as a chicken trader and

now owns Hays shares

worth more than £100m after

leading its 1987 MBO and

Mr Frost said: "I want to

pass on the culture of our

original buy-out to the next

generation. I want to moti-

vate my key executives and

lock them in at the same

The plan will not be open

to executives who partici-

pated in the buy-out, but will

include Mr John Napier,

group managing director, and Mr David Tibble, finance

About 30 Hays executives

will be invited to pay into a

trust fund up to 20 per cent

of their basic salary in any

year. After five years, the

fund will grant them Havs

shares, awarded according to

earnings growth over the

As its benchmark, the

scheme takes the average

develops

Executive pay

LEX COMMENT

The principle of very large rewards for exceptional Hays performance and penalties for poor performance is absolutely correct. For that reason alone, Hays' new long-term bonus plan looks like a good idea. If all goes swimmingly, the group's managers can multiply their money by a factor of 24 over five years. But they also risk losing their entire initial outlay. And while they must put cash from their own taxed income into the scheme. they will be rewarded with

1991 92 93 94 95 96 Hays shares. In many long-term incentive plans participants contribute part of a

Earnings per share (pence)

nainful. In the quest to align the interests of management and shareholders this scheme goes further than most. There are, however, two niggles. First, the new bonus plan does not replace other parts of the executives' remu-neration package, it is merely another layer of the cake. Participants will continue to draw the same salaries and be eligible for annual cash bonuses as well as the group's two share option schemes. A cut in basic salary in return

pre-tax bonus not yet received - which is much less

for being granted such a highly geared incentive plan would seem fairer. Second, while the scheme's performance hurdles are demanding, it is questionable whether growth in earnings per share is the right measure, since it is relatively easy to manipulate. Basing the performance targets on a blend of earnings growth and total return to shareholders might

NEWS DIGEST

be a better solution.

Premier buys stake in Pakistani field

Premier Oil, the UK-based independent oil and gas company, has paid \$33m for a 15.79 per cent stake in a gas field in Pakistan as it announced a meeting with Discovery Petroleum, its bid target in Australia.

Mr Charles Jamieson, chief executive, said the group had "plenty of capacity" for both deals. The Pakistan venture and the proposed A\$91.2m (\$71.8m) price for Discovery would push gearing to about 60 per cent. Mr Steve Lowden, general manager of Premier's international operations, will meet Discovery directors in Australia today to discuss the latter's rejection of Premier's 70 cents share offer earlier this week.

Discovery's directors rejected the offer as too low after Oil Search, another Australian oil independent, bought a 10.1 per cent stake in Discovery for 75 cents a share. The company's rejection also coincided with a report by

accountants Grant Samuel which valued the shares at between 77 and 95 cents. The Pakistani deal adds about 2,000 barrels a day to

Premier's production. It bought the stake from idemitsu of Japan. Pakistan's Oii and Gas Development Corporation owns 50 per cent of the site while Lasmo, the UK's second largest independent oil explorer, is the site's operating company with an 18 per cent stake.

Smiths makes US purchase

Smiths Industries, the aerospace, medical and industrial equipment group, has expanded its presence in the North American aerospace market with the \$30m acquisition of Leland Electronics. Smiths intends to pay \$13.5m cash to Leland's private owners and assume \$16.5m of debt, with the final price depending on valuation of net assets. Leland, which manufactures electrical power

generators, made operating profits of \$4.7m on sales of \$36.5m in the year to the end of June. More than 12,000 aircraft are fitted with its products, primarily in the US.

Twosome's share of success

George Graham profiles ICV's chairman and chief executive

esterday's £65m (\$101m) sale of ICV to the US database group Primark leaves the twosome which has turned the company into the leading supplier of share prices and news in the UK with a

sizeable profit. ICV's principal shareholder is a trust for the benefit of Mr Christopher Sharples, its chairman, and his family. That 54 per cent

stake is now worth £35m. The 17 per cent stake held by Mr David Taylor, chief executive, will fetch film, and other senior managers will between them own shares worth 27m.

It is Mr Sharples who, as chairman first of the Association of Futures Brokers and Dealers and then of the Securities and Futures Authority, has had the higher profile. The son of two Conserva-

tive politicians ~ his father, Sir Richard Sharples, was assassinated in 1973 while serving as governor of Bermuda, and his mother, Baroness Sharples, sits in the House of Lords - he started

his career with the Czarnikow sugar broking house. In 1972 be co-founded InterCommodities, a specialist derivatives trader now called GNI and owned by Gerrard & National.

Mr Sharples hired Mr Taylor in 1980 as his marketing manager, when the then 23year-old IBM graduate trainee tried to sell him an expensive typewriter.
ICV was born out of Inter-

Commodities in 1981 and soon became the first company to put commodity prices on screen. In the early 1980s it became a bible to UK potato farmers through the potato futures prices it publisbed through Prestel CitiService, the television-based information system.

British Telecom in 1990, and ICV took a step forward in 1993 when the London Stock Exchange outsourced its Topic share information ser-Telekurs last year. The competition with Reuters.

vice to ICV and Telekurs of can only be accentuated by Switzerland ICV bought out the new link with Dow Topic contract put ICV into the news service market.



CitiService was sold to Stock Exchange this year to holder Mr Taylor is generprovide software supporting ally given credit as the drivthe exchange's new electronic trading system has pushed ICV further into con-Jones. Reuters' arch rival in

Although Mr Sharples A new contract with the remains the main share-

ing force behind ICV's development.

Under the terms of yesterfrontation with Reuters that day's deal they will remain as chairman and chief executive respectively of ICV, and will take on the same roles at Datastream, Primark's

ICI sees upturn in chemicals

By Roes Tlemen

Imperial Chemical Industries yesterday down 47 per cent to £181m (\$204m) and claimed to detect the first signs of an unturn in the chemicals cycle. Mr Alan Spall, finance director, said

the company had experienced volume gains in all its businesses during the latest quarter, although prices remain

sion - chief victim of the cyclical £113m for restructuring. downswing - "We have had volume first time in six quarters," he said.

a bruising first nine months of the its of £124m from turnover of £1bn. year. Despite £90m of savings from a loss of 2,500 jobs, group pre-tax profits fell 48.6 per cent to £385m. The figure

weak. In the industrial chemicals divi- was struck after exceptional charges of

In the latest quarter industrial chemshowed third quarter pre-tax profits increases in mainland Europe for the icals managed only to break even on sales of £954m. During the same The gimmer of recovery comes after months of 1995, they made trading prof-Shares in ICI rose 17p to 7921/ap. Mr

cost cutting programme, involving the David Ingles, of HSBC James Capel, said "they were pretty poor numbers, but there were no nasty surprises."

er cent to					were no n		urprises."	annual growth in earnings per share of the median
								FTSE 100 company - fore- cast by City analysts to be
r-tex t. (Ext)	275	3 (pt)	Corneri payment (p)	(Date of payment	 Dividencia Corresponding dividend 	Total its	Total lest year	5-8 per cent. If Hays' earnings growth
	19.29L†	(5.81L					•	matches that figure, the par- ticipants lose their stake. If
(0.037L)	0:050	(0.04L		-		-		
(7496)	29.1	(61.6)	-	-		-	30	it beats it by 2 per cent, they
(0.276L)	në	(0.17L			-	-	-	are granted enough shares to
adabia go (Sud)	91	(p)	Current payment (b)	Data of payment	Corresponding distant	Total tor	Victorial Named yearsts	get their money back, but without interest. Thereafter,
Ø.35)	2.97	(2.3)	•				2⅓	the gearing of the plan lincreases rapidly.
(0.689)	2.33	(2.76)	1	Nov. 21	0.44	-	1.94	
(1.11 Y)	2,1	(28.1		-	-	-	ail	Over the past five years,
(-)	0.44	(-)				-		only seven FTSE 100 compa-
(12.3)	4.00	(3.42		Dec 12	1.5	-	4.65	nies have outperformed the
comesoprodina	period.	#After 6	uceofional ch	eroe. WAfter	exceptional cre	dit. †On ir	revenued copital.	median by 10 per cent or

Abtract New Thai ___ 8 mths to Aug 31 188.11 (191.64) Brit & American __ 25 wts to June 30 w 114 (92) Grestians House ___ 6 mths to June 30 17.4 (37.4L) Schroders Vent Int __ 49 wts to May 23 193.6 (-) Southish Hortgage . 6 mths to Sept 30 w 322.9 (309.6+) to have at least five non-ex-Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. #After exceptional of §LISM stock. SUS currency. #Ifish currency. # Comparatives restated. Mincluded 0.85p special. #At March 31. ecutive directors. Pressing the case for cider

lcopops are for the market, says Mr John Rudgard, chief executive of HP Bulmer, whereas the cider consumer is becoming older and more upmarket.

"Alcopops are fashion driven, so people will tire of them," argues the head of the UK's leading cider maker, pointing out that sales of alcoholic lemonades and similar drinks have started to decline in Australia, where they were pio-

His argument directly contradicts Matthew Clark, Bulmer's main cider rival, which last month issued a profits warning and laid the blame fair and square on the incursions of alcopops into its premium cider mar-

Independent research carried out for Bulmer shows that 60 per cent of alcopops drinkers have switched from drinking lager - either canned, bottled or draught. Only 15 per cent have turned to alcopops from

Mr Rudgard also argues that while alcopops have proved a roaring success, the size of the market should be kept in perspective. Total UK alcopop sales are estimated at about 614,000 hectolitres a year, compared with Im hectolitres of Strongbow. Bulmer's leading branded

He is almost messianic in his belief in the future of cider, and is not afraid to stick his neck out. In 1988 he doubled the advertising budget at Bulmer when cider the Wash. volumes in the UK were fall-

Earnings immediately of 10 for business acumen and 10 out of 10 for courage,"

Bulmer's chief executive tells David Blackwell why he's not worried about alcopops

0.001



Not a fashion victim: John Rudgard argues that alcopops are a fad the young will soon tire of

But these are opportunist operations - the group has

disposed of all peripheral

businesses such as pectin and fruit juice over the past

few years in order to focus

cider drinking is steadily

increasing in popularity. In

1992 only 16.2 per cent of

adults said that they drank

Group research shows that

firmly on cider.

per cent.

However, the strategy reversed the decline in cider's fortunes in the UK drinks market, and earnings

soon recovered. Sales have spread further across the UK from the Hereford and west country base and the group now sells more cider north than south of a line from the Wirral to

Bulmer has not turned its back entirely on alcopops. bottling Bass's Hooper's tumbled. "I got nought out Hooch at its Belgian plant and distributing Two Dogs

is now looking overseas for further growth. It has started to experiment with Strongbow draught at 150 bars in Belgium, a further 150 in Italy and 200 in the

> Early results are encouraging, according to Mr Rud-gard, who, in spite of his convictions about cider's growth prospects, is making haste slowly. "We do not want cider to be fashion driven internationally," he argues. "We have a 25-year perspective."

year to just over 5.23m hec-

If this rate of growth con-

tinues, the market will touch

Bulmer has steadily

increased its share of the UK

market to just over half, and

6.82m hectolitres by the end

His ambition is to capture 0.5 per cent of the developed world's beer market. "In the developed world youngsters are doing the

same things on Friday and Saturday nights," he says. "If we can get cider accepted in venue bars the only questions are how many venue bars are there around the world and bow

do you get there?" While he denies attempting to do for cider what Guinness did for stout, he does argue that Strongbow "has all the characteristics of an international brand" and that he has a strong home market base on which to build.

cider occasionally, but a sim-And 0.5 per cent of the ilar survey this year shows beer market does not look the figure had risen to 22.5 too ambitious, he maintains, when UK cider consumption It estimates the UK market will show underlying is equal to about 6 per growth of 5 per cent this cent of the UK beer market. the group's

Nasdaq listing for Eidos

Eidos, the computer games software group, yesterday announced plans for a public offering of up to 7m shares on Nasdaq to raise up to \$70m. The shares closed

unchanged at 792%p. The move's final details have yet to be finalised. "We still need to go on a road-show for the US institutions and their interest will to some extent determine the pricing," said Mr Charles Cornwall, chief executive.

A Nasdaq listing would allow the group access to the market on a "more favourable status" and attract new US investors. "We're one of the few

quoted developer-publishers on the main market in the UK and it is very difficult for investors to look at comparables."

Eidos will use the proceeds to invest in new products and "development companies with proven track records".

The group also announced a 25 per cent acquisition of innerloop Technologies, the Norwegian computer games developer, for \$875,000.

Mr Cornwall said that in the past the industry had made the "great mistake" of buying developer houses and then seeing key people leave. Acquiring partial stakes would help create "a relationship with long-term benefits to both publisher and developer".

The offering of shares in the form of ADSs - represented by ADRs to US and UK investors - will improve

The announcement appears and matter of a core only .
SEPTEMBER IVER £125 million Management Buy-In

The Stationery
Office

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LONDON PARIS MILAN NEW YORK HONG KONG.

Gilts trading hectic amid talk of squeeze

GOVERNMENT BONDS

By Samer Iskandar and Richard Adams in London and Lisa Bransten in New York

Traders in UK gilts had a hectic session yesterday, as they had to juggle with rumours of a market squeeze as well as the potential effects of a ruling by the European Court of Justice against the government on the issue of VAT claims. The market was also under pressure from sterling's weak-

ness against the D-Mark. Liffe's December long gilt future settled at 109%, down %, before reaching a low of 109% in after-hours trading. The Bank of England auctioned £1.5bn of 8 per cent stock due 2015. Bids covered 2.66 times the amount on offer and the auction left no tail - the highest accepted bid matched the average bid

at a yield of 7.86 per cent.

London dealing rooms that Goldman Sachs, the US investment bank, had cornered the market by buying between two-thirds and the whole amount offered were dismissed by traders as unrealistic. Goldman Sachs said it never comments on

Mr Andrew Roberts, a gilt analyst at UBS, said "simple arithmetic shows that it is impossible for one institution to end up owning anything near the total amount".

its market dealings.

The regulatory framework also went some way to dispel the rumour. The Bank of England's operational notice (June 1996) states that although "the Bank will allot stock to individual bidders at its absolute discretion... bidders should not is favourable, with monthly expect to acquire at the aucsupply of around fibn in the tion for their own account more than 25 per cent of the amount on offer."

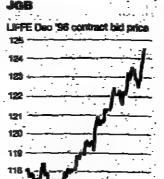
Rumours circulated in This, however, does not prevent market-makers from bidding on behalf of clients, with no ceiling.

One senior analyst in London said: "It does not matter whether someone cornered the market. This will soon be forgotten, because if their aim was to gain by driving prices up, it was obviously defeated.

The 8 per cent gilt due 2015 was trading at 100 late in the afternoon, down from 101%, the price at which it was allotted at the auction a loss of approximately £8m on the total of £1.5bn that had been issued.

Analysts warned that the market could remain edgy in the near term, but several agreed the long-term outlook was bullish. "The funding environment

next three to six months", said Mr Simon Briscoe, chief UK economist at Nikko.



■ Other European markets were down, in line with bunds and US Treasuries. Traders said that in the absence of further economic news, Wednesday's bearish comments by Bundesbank officials continued to be the market's main source of inspiration. Liffe's December bund future closed at 99.27,

-

down 0.20.

III US DOLLARS

BTPs and Spanish bonos outperformed, their 10-year yield spreads over bunds narrowing by 4 basis points to 224 and 178 points respectively.

■ Liffe's December JGB future yesterday reached another record high, rising 0.52 to 124.56. It also traded above its Tokyo settlement price of 124.42.

Dealers in Tokyo said the rise was due to news that the Finance Ministry's trust fund bureau will maintain its current portfolio strategy, which attributes a heavy weighting to holdings of JGBs.

In the cash market, the benchmark bond number 182 rose 0.40 to 102.64, its yield dropping to 2.63, from 2.69.

■ A drop in the number of people filing for unemploy-ment benefits last week caused US Treasury bonds to

In the cash market, Italian give up the gains made late on Wednesday. Near midday, the bench-

mark 30-year Treasury was ¼ lower at 98₫, to yield 6.965 per cept, while the two-year note had fallen 🛓 to 99%, yielding 5.942 per cent. The December 30-year bond future lost & to 110%.

Bond prices were flat in morning trading, and fell after the Labor Department said that the number of people filing first-time claims for unemployment benefits fell by 22,000 last week.

Economists from Donaldson, Lufkin & Jenrette said the data "point to further strength in the labour market, regardless of the temporary effects of the auto work-

ers' strike". They added, however, that there seemed little correlation between often volatile weekly data and monthly figures on job growth. October employment figures are due a week from today.

CAPITAL MARKETS NEWS DIGEST

Lebanese hotel group plans listing

Two of Lebanon's most famous landmarks took another step out of the ashes of war-damaged Beirut yesterday when Société des Grands Hotels du Liban approved a significant capital increase via a debt and equity package. SGHL is undertaking the restoration of the once luxurious 572-room Phoenicia Intercontinental Hotel. which was gutted during the civil war, and the company's subsequent listing on the Beirut Stock Exchange should boost trading on the near dormant bourse.

Mr Omar Jaroudi, director of Lebanon Invest Finance, said "the restoration package comprises a capital increase from Leszem to Le160bn (\$108m) and losus totalling \$55m", adding that "under the asset revaluation. shareholders receive 197 shares for each old one and those contributing fully to the capital increase 105 shares for

The Beirut exchange, which has been lacklustre since it reopened in January efter a 13-year closure, is at the beart of plans by Mr Rafik al-Hariri's, the Lebanese prime minister, to revive Lebanon's capital markets. It is a vital future conduit for funds to flow into the country for national reconstruction. Lebanon's biggest company, Solidere, moved its shares this month from the privately operated Beirut Secondary Market to the official BSR. This added \$2bn to the market capitalisation of the bourse, which was less than \$400m. Mr Jaroudi said "the demand for stock on the Betrut market will increase with the listing of SGHL because it will introduce full transparency and disclosure, which is presently lacking, but vital to get the market going Sean Evers, Coir Sean Evers, Cairo

Banco di Napoli clears hurdle

The last important hurdle in the path of privatising the ailing Banco di Napoli, the most important financial institution in southern Italy, was cleared yesterday when the chamber of deputies endorsed a L2,000bn capital injection from the treasury. The centre-left government of Mr Romano Prodi imposed a vote of confidence to prevent the bank's rescue operation being slowed by more than 1,000 amendments tabled by the populist Northern League. The legislation now goes to the senate but the government has a clear majority there. Apart from the capital increase, the operation involves hiving off some L10,000bn in bad loans to Reviban, a shell company owned by Banco di Napoli.

Indices for Lithuanian SE

The National Stock Exchange of Lithuania, based in Vilnius, amounced its first official stock market indices yesterday. The Litin-A index includes 23 listed equities of companies comprising 32 per cent of total market capitalisation on the Lithuania exchange. The Litin-G index includes all recently quoted listed shares. The index base is 1,000 at January 1 1996. So far this year the Litin-A index has risen by nearly 72 per cent and the Litto-G by Richard Adam

Oct 24 Oct 23 Yr. ago Oct 24 Oct 23 Yr. ago Oct 24 Oct 29 Yr. ago

UK indices

MALE CRASS

Double-A rated issuers offer five-year deals

INTERNATIONAL BONDS

By Conner Middelmann

More US dollar-denominated five-year eurobonds surfaced yesterday. However, unlike a recent slew of triple-A rated issues - five-year bonds priced at spreads in the low teens over Treasuries - yesterday's issues came from double-A rated borrowers

offering juicier yields. Associates Corp of North America, the diversified US consumer and commercial finance company 80 per cent owned by Ford, issued \$600m of five-year bonds yielding 40 basis points over Treasuries. market - was well received, because of its generous pric-

According to an official at Lehman Brothers, joint book-runner with Goldman Sachs, the deal was more than twice subscribed, and tightened to 39 basis points on the bid side after the bonds were freed to trade.

A \$300m transaction for Japan's Kyushu Electric Power, although more tightly priced at a spread of 22 basis points, also benefited from demand for higher yield. According to lead manager Merrill Lynch, some 20 per cent of the issue went to Asian investors. The issue - the borrower's with the rest spread across

Argentina was another borrower to gain from investors' hunt for yield, with its Y50bn offering of bonds due March 2005: the unusual maturity made it possible for the bonds to bear a 6 per

cent coupon. The transaction was targeted almost entirely at Japmese investors.

"The Japanese bond market keeps hitting all-time highs - 10-year JGBs now yield 2.75 per cent and short-term rates are around 0.4 per cent - so investors are hunting for anything that offers higher returns," said a syndicate manager at book-runner Nikko Europe. The bonds were sold mostly to local institutions

BUND FUTURES OFTIONS (LIFFE) DN250,000 points of 100%

9.72

(LIFFE)" Lira 200m 100ths of 100%

III NOTIONAL ITALIAN GOVT. BOND (STP) FUTURES

Open Sett price Change

IL NOTIONAL SPANISH BOND PUTURES (MEFF)

IN NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

italy

Assocs Corp of Ath Ar Kyushu Electric Power E YEA Republic of Atgentinets IN ITALIAN LIRE Crédit Local de Franceis # PESETAS III AUSTRALIAN DOLLARS

New international bond issues

such as regional banks and co-operatives, he said. Crédit Local de France

> ment in the Italian bond market after Wednesday's central bank rate cuts. increasing a L200bn 10-year bond issue launched on Wednesday by L100bn.

> > 0.45

Low

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Pinal terms, non-catable unless stated. Yield spread (over network gow +Unitsted. R: fixed re-offer prior; fees shown at re-offer level. a) L200br Pta15th launched on Tuesday was increased to Pm22bn. Redemption; and on 25/11/03 at 122-251%. s) Short 1st coupon. val. a) L200bn bunched W

FTSE Actuaries Govt. Securities

Thu Day's Wed Oct 24 change % Oct 23

An official at Credito Italiano, joint lead with Monte dei Paschi di Siena, said the capitalised on bullish sentibonds saw strong demand from Italian and international investors.

Eisewhere, the Korean appointed J.P. Morgan and Merrill Lynch to lead-man-

ager its fifth global bond, due to be launched in coming weeks It will be the first sover-

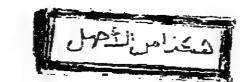
eign benchmark bond from Korea since the country was invited to join the OECD. Bank The offering will be worth \$500m and have an interme-

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	Coupan	Red	Price	Day's	Yield	Week age	Ma
Australia	8.750	11/06	95,2850	+0,740	7.42	7.85	5.0
Austria	5.875	07/05	95.3400	-0.130	6.10	5.98	6.1
Belgium	7.000	Q5/Q6		-0.120	B.12	6.12	5.4
Canada *	7.000		103,6300	-0.230	8.50	5.59	7.3
Denmark France BTAN	8.000 5.500	10/01		-0.220 -0.090	6.88 4.97	6.91 5.02	7.1 6.3
OAT	5.500	10/06	103,6700	-0.210	6.00	6.00	6.1
Germany Bund	6.250	04/06		-0.250	6.06	6.04	6.1
ireland	8.000	08/06		-0.240	6.94	6.98	7.2
italy	9.500	02/06			8.131	8.28	8.9
Japan No 140	6,600	06/01	122,3048	+0.410	1.52	1.89	1.8
No 182	3.000	09/05		+0.410	2.84	2.83	2.8
Netherlands	8,500	06/05	118,1100	-0.320	5,97	5,95	6.0
Portugal	9.500	02/06	112,4000	-0.020	7.59	7.74	8.2
Span	8.800	04/08	106.3200	+0.130	7.81	7.89	8.4
Sweden	6.000	02/05	SQ.5222	+0.170	7.20	7.33	7.8
UK GIRG	6.000	12/00	103-19	-8/32	6.97	6.87	9.9
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123	3,3	5 ~	3.	76	-	-	0.43
124	-	2.4	7	4	0.01	0.10	0.64
125	1.3	7 1.8	2 2	25	0.02	0.26	0.90
126	0.5	3 0.90	3	-	0.16	0.58	
127	0.0		_	-	0.70	1.06	
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CURRENCIES AND MONEY

D-Mark advances on European crosses

By Simon Kuper

The D-Mark enjoyed its Swedish interest rate cuts, and from Bundesbank com-

THE TES. a pfennig to close in London at DM2.423. The last two days' trading have erased most of the pound's gains of last week.

But the D-Mark firmed only a fifth of a pfennig against the dollar and slipped marginally against

ranges. The dollar closed Y0.2 softer in London at Y112.8 after facing technical resistance at Y113. Many in the markets believe that Washington wants the dollar to

Oct 24

POUND SPOT FORWARD AGAINST THE P

stop rising against the yen.

■ Italy's rate cut of 75 basis points on Wednesday sent the lira falling below L1,007 second day of gains yester-day, advancing most strongly against sterling. It benefited from Italian and L1,004, L2 down on the day. L1,004, L2 down on the day.

The lira is now thought to be near the level at which ments on Wednesday that Italy wants to join the Euro-Germany would not reduce pean exchange rate mechanism. "Italian policy makers Sterling lost nine tenths of and industry are likely to be nfennig to close in London well pleased with the lira's Weakening," said Mr Klaus Baader, economist at Deutsche Morgan Grenfell in Lon-

Italy hopes to join the ERM at a weak rate below L1,000 to the D-Mark. However, France would prefer its the yen as the major curren- neighbour to join at a stron- place in mid November. cies were stuck in narrow ger rate, to stop Italian

A Pour	d in New Y	ork
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2 spot	1.5926	1.5000
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1 ye	1.5834	1.5897

exports from gaining a com-petitive advantage.

Currency strategists said yesterday that the lira. which was forced out of the ERM with sterling in September 1992, could re-enter the mechanism by late November or mid December. Previously strategists had expected a re-entry after the New Year.

that a currency must belong to the ERM for two years before it can join the single European currency. Mr Filippo Cavazzuti, Italian treasury under secretary.

It is generally assumed

said he hoped that a further interest rate cut would follow if parliament passed the 1997 Budget. The vote on the package is likely to take

Mr John Wareham, executive director of global for- ing," said Mr Chris Turner, eign exchange at Merrill Lynch in London, said the Italian currency could fall further soon. With the end of the year approaching, many who had made money buy-

D-Mark



ing the lira on convergence trades might sell "to lock in a good year", be said.

■ Sterling's bad day had little to do with hard economic news, "It's largely profit takcurrency analyst at BZW in London, Sterling's trade weighted index against a basket of currencies fell another 0.3 points to 88.5, and the pound fell two fifths

Opt 24

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

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of a cent against the dollar to \$1,592

Mr Paul Meggyesi, senior currency economist at Deut-sche Morgan Grenfell in London, said the government's European Court defeat over VAT payments had helped depress the pound. Traders believe the judgement could increase the PSBR.

■ The currency markets had expected yesterday's Swedish rate cut. But they were surprised that the Riksbank, the central bank, also

changed its repo rate policy. rate by 25 hasis points to 4.60 per cent from next week, and said it would stop adjusting the repo rate every other Tuesday, Instead, the

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rate would stay unchanged for the next three operations. Mr Meggyesi said this seemed to mean that the end of the rate cycle had moved closer. For that reason, he said, yesterday's cut sent the crown only slightly

in London trading. The Riksbank cut deposit and lending rates by 50 basis points to 4.25 per cent and 5.75 per cent respectively.

lower to 4.325 to the D-Mark

■ The New Zealand dollar lost nine tenths of a cent against the US dollar to close at \$0.7006 in Asia yesterday, after the Reserve Bank said monetary condi-

tions were too tight, Foreign buying, particularly from Japan, had pushed the Kiwi upwards in recent months. This had the side-effect of tightening mon-

 For the latest market update, ring FT Cityline on

etary policy.

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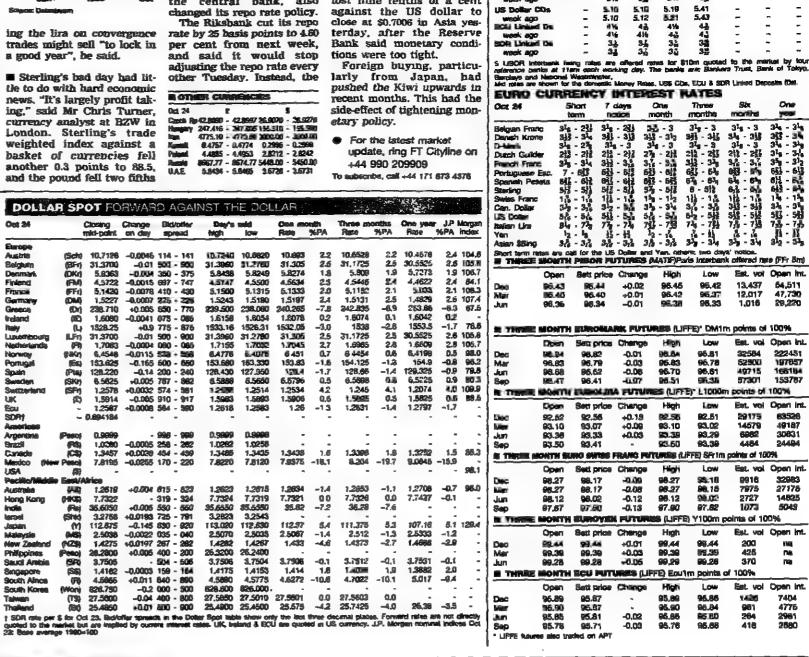
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E D-MARK PUTURES (IMM) DM 125,000 per DM

1-3 3-6 month months 2¹2 5¹2 5 Certs of Tiex dep. (£100,000) Certs of Tax dept. In JAANADY

Certs of Tax dept. under C100,000 to 21-pc. Deposits withdrawn for cent 11-pc.
Area tender rate of deposit on Oct 18, 5.85 lipt. EXSET fixed rate 5tg. Excent Plan
up day Sep 30, 1996. Agreed rate for period Oct 25, 1996 to Nov 25, 1996, Schema
7,08pc. Reterence rate for period Aug 31, 1996 to Sep 30, 1996. Schemas IV & V 5.
Phance House Blass Rate Spc from Oct 1, 1996 IN THINES MONTH STERLING FUTURES (LIFFE) 2500,000 points of 100% Sett price Chance LOW High 93.90 93.38 93.10 92.88 9609 18202 20817 11677 -0.02 -0.03 -0.04 -0.05 93.91 93.73 93.41 93.13 92.91 93.94 93.77 95208 93284 93.94 93.75 93.47 83.19 92.98 E SHORT STERLING OPTIONS (LFFE) 2500,000 points of 100%

CALLS

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Strike Price 9375 9400

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1,570 1,590 1,590 1,600 1,610 1,610 1,610 Mar Jun Bu US 176 Bu SUFFOR SUFFO	2.8 2.0 1.3 0.7 0.3 7e vol. Cal 1900/TH Open 94.38 84.15 6ASUNTY 94.85 94.81 100 Mov 2.09 0	11 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	Dec	2. 2. 1. 1. 5,129 . Pro -0.01	557 .02 .550 .08 .09 .500 /s or .000 /s or .	0.06 0.25 0.55 0.95 1.58 0.96 1.59 0.90 0.90 94.37 94.37 94.33 94.64 0f 100%	0.34 0.59 1.01 1.53 2.02 2.02 2.02 2.03 2.03 3.09 3.09 3.09 3.09 3.09 4.00 4.7 2.02 2.03 3.09 3	0,62 0,92 1,31 1,80 2,38 Puls 138,736 1 Open int. 481,736 374,492 274,087 3,974 1,884 1,341
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N.V./S.A. L.R.M.

(Limburgse Reconversiemaatschappij)

a 100% subsidiary of the Flemish Region

Invitation to Tender for a Significant Shareholding in

N.V./S.A. L.P.M.

(Limburgse Participatie Maatschappij) a 100% subsidiary of L.R.M.

L.R.M. has decided to sell a substantial shareholding in L.P.M. Pursuant thereto, L.R.M. has mandated Generale Bank to assist in this sale.

In accordance with article 3, 1" of the Royal Decree of January 9, 1991 concerning the public nature of operations to collect savings, this invitation will not be a public operation.

L.P.M. is currently the regional investment company for the province of Limburg. It has a diversified portfolio of shareholdings in companies operating in various sectors such as construction, food, transport, printing, furnishing, recycling and services.

Procedure and firmstable

First stage

This list stage aims to select a limited number of candidates, this selection will be based on the expressions of interest received by Generale Bank at the latest by December 9, 1996, such interest being based on the sale memorandum that will be sent to them on first request and after they have signed a confidentiality undertaking and paid 8EF 500,000 (to the account n° 210-0650025-80).

These letters of interest should contain, as a minimum, the following items: a detailed description of the identity of the candidate (a.o. registered office) shereholdership, etc.) and of any parties with whom it is acting jointly, with a detailed description of the main lines of their cooperation agreement; supporting documents to the effect that the candidate and any parties with

whom it is acting jointly meet the selection orderia, as indicated below: - their assessment of the value of L.P.M. and/or the criteria and method(s) that will be applied to assess and determine the price; . The extent of the shareholding in L.P.M. tendered for by the candidate

or those parties with whom it is acting jointly (minority or majority stake, 100% acquisition) whereby the minimum shareholding tendered for will amount to at least BEF 500,000,000; · the manner in which the candidate will finance the cash payment of the

price for the shareholding tendered for: the proposed timing for the closing of the operation:

any other conditions of the tender (e.g. audit, due diligence, warranties.

These expressions of interest from the candidates must be sent by registered mail or against receipt (with date and time of delivery) to: Generale Bank Corporate & Investment Banking Monteone du Parc. 3

1000 Brussels Attention of Mr F. Vanderhoydonck, Director. Tel: 322,565,36,57 Fax:322.565,42.84

They must be delivered to Generale Bank at the letest by December 9. 1996 balore 5.00 p.m.

Selection criteria for admission to the second stage

Selection for the second stage, provided that there will be one, will be besed on the following criteria:

- the assessment of L.P.M. as indicated in the aloresald expression of interest, together with an indication of the assessment methods and of

any other items that are deemed to be of importance for this

with whom it is acting jointly to determine the final price, whereby those

essment and that will be used by the candidate and those parties

candidates using a method or methods and items that will result in a sement and determination of the price, will prevail; the extend of the shareholding tendered for whereby the candidates, acting alone or jointly with other parties requiring a majority stake, will

being a financial investor capable of further developping L.P.M. as a

acina concern: an indication of the way the cash of L.P.M. will be assessed, with an

indication of its possible use; the investor's long-term strategy to suport L.P.M.'s various

participations with a view to luture growth; the interest shown by the candidate to safeguard the regional investment focus of L.P.M., a.o. when expanding the activities.

The candidates will have to prove that they have sufficient financial resources in order to ensure cash payment of the acquisition price.

Intermediaries, trustees and individuals are excluded, except when they

act jointly with a financial investor. Generale Bank will inform the candidates of the results of the first stage of

this selection and hence of their admission to the second stage, it this second stage takes place, at the latest by December 12.1996.

During the second stage, if it is decided to proceed with a second stage, the candidates that were selected after the first stage will be invited to submit a final and binding offer to acquire the share:

The selected candidates will have access to a data room in which the relevant documents for this transaction will be available to them.

More details about this procedure will be made available to the selected candidates in due course; however, candidates should note that the second stage may start immediately. Candidates should make the necessary arrangements to implement all the practical measures entailed by the second stage.

The sefler reserves the right to stop this procedure or to modify the conditions thereof at any time and without further justification.

COMMODITIES AND AGRICULTURE

China seeks to quell fears on grain needs

By Sophie Roall in Beijing

China yesterday said it could maintain basic self-sufficiency in grain, dismissing to keep pace with falling international fears that the world markets, Reuter country will be heavily reports from Paris. dependent on imports next century to feed its growing EU had awarded wheat population.

contradict warnings raised about China's grain needs most notably by Mr Lester time this season and raising Brown, of the Worldwatch market competition another environmental research group. It said there was "no basis to the international clamour about a 'China threat' in food supply".

China's statistical bureau this week issued the most optimistic forecast yet for the 1996 grain harvest. It predicted "record" output of foreign investment for agri-480m tonnes - up 15m culture should be expanded, tonnes from 1995.

Estimating China's grain needs for the next century. the paper said demand would rise to 550m tonnes by 2010, and 640m tonnes by 2030. It said imports would be required to cover less than 5 per cent of the increased demand.

The paper cited a number of reasons why domestic output could be raised further including low yields per bectare of arable land, and unnecessary losses before

crops reached end-users. In Beijing, diplomats were cautious about China's prospects of meeting its goal of self-sufficiency. But one observer said he was "encouraged" by the attention the government was now devoting to develop-

ment of agriculture. He said there had been a shift in resources to the agricultural sector and the policy paper says investment in agriculture will be stepped

The European Union yesterday nearly doubled subsidies for wheat exports.

Grain exporters said the export subsidies of up to A policy paper sought to Ecul3 a tonne for 290,000 tonnes of wheat, reaching double figures for the first notch. The subsidy is higher than the Ecu12 a tonne of aid the RU offered for Africa's poorest states just a

> China is also trying to channel more foreign funds into the sector. "The scale of and preferential treatment provided for such invest-

> ment, especially in grain production," the paper said. This year the government also raised the official procurement price for grains by

20 per cent, Although this now affects only about 10 per cent of farmers' output, it was an important signal of the government's intention to boost

incentives for farmers. One analyst said the biggest contribution China could make to the world grain market was greater openness about its grain balance. He said he was disappointed that after being able to export 8m tonnes of corn in 1994, it had to import 5m

tonnes in 1995. China had been unwilling to give any indication of its 1996 needs to other producing countries. Western trade officials were told by Chinese authorities that the forecast demand for 1996 was a state secret.

Vietnam increases rice export quota

By Jeremy Grant in Ho Chi Minh City

Vietnam's trade ministry has raised this year's rice export quota from 2.5m tonnes to 3m tonnes, in an apparent attempt to increase revenues from agricultural exports and stem a ballooning trade deficit.

Traders said that the move was likely to depress already low Vietnamese rice prices.

"It's not a very buoyant market," said one foreign commodities analyst based in Ho Chi Minh City. "By telling everyone they've got more rice out there, they're just going to push the price down."

However, recent severe flooding in the Mekong delta. Vietnam's main producing area, was causing delivery delays and patchy price rises locally, traders said. Five per cent broken rice

was quoted at between \$275 and \$280 a tonne free on board at Saigon port, with 10 per cent grade around \$10 a tonne lower. A week ago, 5 per cent broken was trading at about \$270 a tonne.

Vietnam last year sold about 2m tonnes of rice abroad, making it the fourthlargest exporter in the world, after the US, India and Thailand.

Hanoi's move came as a Washington-hased thinktank said the communist- and quota policy is really

MARKETS REPORT

By Deborah Hargreaves

North Sea oil prices lost

20 cents yesterday, continu-

ing their recent slide, but

analysts are divided about

whether the market has

launched into a downtrend.

Brent crude for December

delivery slipped to \$23.85 a

barrel, with December

futures on West Texas Inter-

mediate down 36 cents in

midsession to \$24.50 a barrel

and Kenneth Gooding

Production boost: inprocess great helds registronic be able to mainta prierroy in rica, in spile of past disecute a rice importation slowly to 21.01m tonnes in 2001, against cent in live to seven years, from the cut 20 43m formes in 1997, two expe 81mi tonnes, according to a report from ITC's international business division. Bariokok's Agricultura Department said. 2000 Delegates were told that accelerate a progress and efficient larmany methods Hectarage plented to rice will drop to 9.26m "Scope exists for increasing India rice production to about 98m tormes," it said. bacteres in 2001, compared with 9.33m should help Jakarta steve off imports. The Output could be raised by maximising hectares in 1997. But yield per hectare use of technology to enable families in hectares of acidic land in commit yields through better hybrid seeds or more should rise to 2.27 tonnes from 2.19 tonn intensive irrigation, it added. Rising. Kalimanian, and declining constant population and income levels will boost Their firmers are in need of new rice increasingly prosperous indonesiase sho help. "Efforts to optimise use of natural resources and advanced technologies. It issep indonesia self-sufficient in fice," a ministry official seld. domestic demand by 3 per cent annually, varieties with multiple resistance, combine with high grain questy," the expents said in their report. They added that disease and and doe consumption in India may rise to between 90m and 95m tonnes in five to insects were the main barriers to higher seven years and to 110m tonnes in 10 to

ruled country could double preventing them from doing access. Private trading is exports if it liberalised its quota policy, which it said was strangling production and creating disincentives

for farmers. "They could export much more, but the current export

Brent has now lost more

than \$1 a barrel since the

beginning of the week. Mr

Geoff Pyne of UBS in Lon-

don believes traders are

using the stronger stock fig-

ures for heating oil released

this week in the US as a

chance to take profits in oils.

changed in this market:

there is still a desperate

shortage of heating oil

stocks," said Mr Pyne. He

believes prices will waver at

"Nothing fundamental has

so," said Mr Francesco therefore restricted. Goletti, research fellow at the International Food Policy Research Institute.

Vietnam restricts access to exports through a licensing system to which about 15 state-owned companies have

unless there is a cold snap.

Lindsay Horn of Lehman

Brothers believes oil has bro-

ken out of the uptrend it has

been in since the beginning

of August. "It does look as if

it's breaking down a bit, but

I don't see a complete price

On the London Metal

Exchange, copper and alu-

minium prices continued to

climb. Copper for three

months delivery broke

through the important \$2,000

collapse coming," he said.

On the other hand, Mr

North Sea oil continues recent slide

on the New York Mercantile current levels or drift down

The domestic price is lower than the international, a differential which state companies exploit, in effect imposing a tax on the indus-

a tonne level in late trading

for the first time in seven

weeks. Three-month alumin-

tum brushed aside technical

resistance at \$1,420 to reach

The Anthony Bird Associ-

ates consultancy said alu-

minium prices had over-re-

acted to the industry's short

term over-supply and this

would make worse medium

and longer-term supply

shortages that would threaten before long.

lems will force themselves

These medium-term prob-

\$1,424, up \$18 a tonne.

icy strikes at the heart of Vietnam's growth prospects, as agriculture is the backbone of its economy. It offers one of the best prospects for export growth, needed to plug a trade deficit that reached \$3.25bn in the first nine months of the year.

on the market's attention by

the end of 1997," Bird sug-

gests in its latest Aluminium

Analysis. "Accordingly, we

see a rise in metal prices to about \$2,351 in 1998, followed

by a peak at \$2,828 by 1999."

slipped back following a

wave of selling by hedge

funds on the New York mar-

ket. The market lost \$39 a

Liffe March-Cocoa futures

broke out of their recent

range to end on a seven-

month low of £972 a tonne.

tonne to \$1,385 a tonne.

JOTTER PAD

Liffe coffee futures prices

He said the estimated cost of developing Vasilkovskove, which has reserves of 6.5m troy ounces, had risen from \$85m to \$92.5m. However, in Vancouver, Mr John Taylor, Teck's chief

financial officer, said that while his company had been negotiating for a second attempt at a Vasilkovskoye deal, it not yet heard from the government and was trying to obtain confirmation of the Reuter report. He insisted Teck had paid no additional money.

More red

faces over

Kazakh

gold deal

By Kenneth Gooding,

Mining Correspondent

The Kazakhstan govern-

ment's embarrassment

about Vasilkovskoye, one of the world's biggest gold

deposits, deepened yester-

day after a senior official

claimed that Teck Corpora-

tion and another Canadian

company, First Dynasty, had

for the second time been

given the right to develop

the project and had signed a

preliminary agreement. Mr Sarybai Kalmurzayev,

chairman of the State Prop-

erty Committee, also told

the Reuter news agency that

Teck had paid \$7.5m dam-

ages and collateral of \$5m.

A consortium lead by Teck previously won a tender to develop Vasilkovskoye in June, but withdrew in August when the government could not provide guarantees on power costs. The Vasilkovskoye ore is difficult to process and milling it will require a great

deal of power. Vasilkovskoye has been degred by controversy. The government upset the ERRD by cancelling a bender the bank was organising last year and handed the project to Placer Dome, another Canadian group. Placer Dome withdrew but is still waiting for the return of its

> RICCESE TO 200 mg - 144

THE PROPERTY. الوائة معتمو 4.00

up further. COMMODITIES PRICES

ALUMINIUM, 98.7 PURITY (S per tonne)

BASE METALS LONDON METAL EXCHANGE Prices from Amalgamated Metal Tracing)

	Cash	2
Closu	1391-90	1422-23
Previous	1371.5-72.5	1404-05
High/low	1381.5	1429/1401
AM Official	1381-81.5	1412-12.5
Kerb close		1422-23
Open int.	220,025	
Total daily turnover	76,952	
ALUMINIUM AL	LOY (5 per to	nne)
Clase	1257-62	1280-81
Previous	1243-48	1265-70
High/low	16-6-40	1280/1270
AM Official	1250-55	1272-73
Next class		1260-65
Open Int.	5.773	
Total delly turnover	1,635	
M LEAD (\$ per ton		
Capsa	730-31	737.5-39.0
Previous	728-9	737-8
High/low		742/733
AM Official	726-27	72.3
Kerb close		736-37
Open int.	40,391	
Total daily turnover	11,254	
NICKEL (5 per t	onne)	
Ciosa	7110-20	7220-30
Decidents.	7070-80	7190.00

Kerb close Open Int. Total delly turnove TEN (\$ per tonne 5650-60 5945-50 Cibes Previous High/low AM Official 6000-05

15.933 E ZINC, apecial high grade (5 per tonne) Clossi Previous High/low AM Official 1001.5-02.5 1027-38 Kerb close Open Int. Total daily turnover ODIVIER, gri Close Previous High/low AM Official 2025-29 898-2000 Kerb close 197,712

Sport, 1,5922 3 matries, 1,5504 6 matrix, 1,5006 9 matrix, 1,5966 593 2,047 355 2,315 95.55 95.00 93.70 94.95 +Z.00 95.00 92.50 93.65 +1.50 93.00 93.00 8,064 22,334 30 1,422 22 965 92.60 92.00

M LME AM Official £/\$ rate: 1.58 LME Closing £/\$ rate: 1.5910

PRECIOUS METALS I LONDON BULLION MARKET (Prices supplied by N M Rothschild)

GOIG(1TOY OZ)		adms Ot 1 colour
Close	382.80-383.30	
Opening	383.90-384.30	
Morning fox	383.70 2	40.459 480.468
Afternoon fix	383.00 2	40,427 481.316
Day's High	383.90-384.30	
	382,70-383.10	
Previous close	383.40-383.60	
Laco Lda Me	on Gold Lendin	g Rates (Vs USS)
	9.71 6 mg	nths3.56
I WOUND		
2 months	,3.66 12 m	onths3.81
3 months	3.57	
Silver Fix	o/tray oz.	US ets equiv.
Spot	312.65	498.40
3 months	317,20	504,75
5 months	321,50	511,00
	330.60	523.90
1 year		
Gold Coins	\$ price	£ oquiv.
Krugemand	381-384	239-41
1265-16-16		

Precious Metals continued E GOLD COMEX (100 Tray DE: S/tray 02.)

	Sett	Dayla			-	Open
		change	-	law	Yel	let
Oat	383.1	-1.0	383.5	383.5	11	
Dec	384.9 367.1	-1.8 -1.9	385.9	386.8		98,592 17,030
l'elt	389.3	-1.0	355.1 389.7	388.7		10,693
Apr Jos	391.7	-1.0	309./ 382.6			11,014
Abs	394.2	-1.0	205.0	201.7		4,349
Total	apr.z	-1.0	_	_		185,2(0
E PL	MUNITA	NYME	X (50 '	Troy o	\$/tr	y oz.)
Oat	366.1	-21			3	1.4
Jen	389.6	-2.1	393.5	389.2	1.753	19,267
Apr	392.4	-2.1	394.5	392.5	32	7,728
Jed	395.4	-2.1	_	394.0	33	
0ct	396.9	-2.1	-	-		27
Total						27,981
	LADIUI				_	
Sec	119.00					
Mar	120.10					
Jun Total	121.15	-0.90	-	_	340	115 7, 9 21
			wa =	0		.,
_	VIER CO					
Oct.	489.3	-6.7	491,0	489.0	13	1
Dec Jen	491.5 463.6	-7.0 -7.0	500,0	499.0 498.0	6,386 8	63,136 26
Mar	496.8	-7.0	506.6	496.6		12,983
May	503.4	-7.0			39	
Jai	506.0		500.0			5.031
Total						94,844
					-	-
ERIE	RGY	,				
	UDE OIL		~ 4 6	66 ha.		
- CH	_	_	× (1,0	00 54	-	
	Latest	Day's charige	Hink	Less	Well	Opent int
Dec	24.66	-0.20	24,90			100k
Jan	24.25	0.20	24.55			51,577
Peb	23.83	-0.09		23.54		
Mar	23.37	-0.02	23,40	23.08	2,412	20,546
Apr	22.80		22,88			14,418
MEST	22,43	+0.03	22,43	22.22		10,658
Total					\$5,740	3943D)
a CR	DE OF	IPE &	/ten	99		
	Latest		400.0			Open
_	-	اوساء	-		Vol	int
000	24.06	10.01		23.66		
Jun		+0.05		22.11		
Feb Mar	22.80 22.28	-0.04 +0.07	22.80 22.28	22.55 21.93		22,892 26,315
	22.20	+0.07	420	21.00	1,09/	(3)

62.80 +0.22 62.60 61.95 305 5,040 III GAS OIL PE ENUM 234.25 -1.50 224.50 219.50 14.281 27.540 219.50 -1.75 219.50 215.00 7.288 23.562 215.00 -1.50 215.00 211.00 2,777 18.578 209.25 -0.75 209.25 204.00 1,588 6,501 202.75 +0.50 202.75 196.25 2,650 5,292 194.00 -0.25 194.00 188.50 1,745 4,281 29,730 97,347

2.485 -0.090 2.570 2.480 32,200 22,826 2.515 -0.061 2.685 2.585 10,886 34,536 2.620 -0.070 2.685 2.600 4.054 21,566 2,553 2,475 1,549 12,185 2,380 2,320 821 9,004 2,190 2,130 397 5,142 2.485 -0.068 2.553 2.475 2.330 -0.100 2.380 2.320

88.85 +0.69 68.60 67.43 10.226 19.825 66.75 +0.02 67.50 85.70 7.299 21.178 65.60 -0.02 65.90 64.75 2,582 11.328 829 4,045 251 2,166 494 2,440 65.30 +0.95 65.50 64.90 - 67.75

GRAINS AND OIL SEEDS

1951	HEAT LI	TE (L	per to	line)		
	Sett	Dey's	v jägh	Levr	Tel	Open
New	98.35		98.00			528
Just	100.10		100.50			2,307
Mer	101.20	+0.60	101.80	100.85	174	1,817
May	102.70					1,394 168
Hos	104,00 97 25			97.00		136
Total	0. 40				462	8,354
M 165	CEAT CE	FT (5.0)	DOBU M	in; cent	a/60€) t	ushel)
Dec	384 (0)	-14.5	309.00	382.00	8,303	35,324
Mar	380.00	-11	391 00	379.00	2,662	
May	365.25 363.25	-7.75	373.00	365.00	289 797	1,948 5,999
Jul Step	346.50	-5.5 -5.5	381 50	350.00	59	275
Dec	364,50	-2.8	36.00	305.00	10	165
Total						63,511
R W	NZE CB		_	_		
Des	278.00					
Since .	282,25 287,50				9.100 5,327	
Mary	289.00				3,559	
Sup.	281.25	-4.75	285.50	290.50	156	3,286
Dec	278.75	-3.75	202.00	278.50	2,856	
Total	DI 654 1 4	cer -			57,363	والرهد
	RLEY LI	_	_	-		-
Jan.	93.75 95.50		94.00 95.75		48 10	549 806
New			97.50		17	196
May			98.50		10	100
Rep	93,00	-	-	_	_	1
Total	WEDELL	e rie			75	1,571
	VASEA	_			_	
New	696.50				36,034	
-han Mar	696.75 700.50	-2.13		699.5 0	17,861 6,774	29,812
-	701.50	-6	712.00		1,711	
- And	702.25	-7		701.00	2,605 63	
Aug Total	700.00	HB	110.50	WO.00	63 66.412	1,429 con em
_	VAHEAN	LIO 4	CBT	O DOOKE		
Oct	22.75	-0.16			663	112
Buc	23.26	-0.27	23.89	23.20	10,316	
Acres .		-0.26			4,322	
itter	23.85 24.11	-0.27 -0.27		23.83 24.10	363	17,201 9,433
44	24.35	-03	24.75		385	4,044
Testad		_			18,249	100,286
-	YABEAN		£ Cहा			
Oct	231.0	+1.3	255.5		586	505
Jee	227.2 223.4	-1 -1.2	230.7 226.8	227.0 223.2	11,615 2,900	44,166 9,130
Min	219.0	-1.7	223.5		3,073	
May	217.9	-1.3	221.5		7,048	9,197
Jack Yorkel	218.1	-1.1	221.0	218.0	964 19,791	5,138 87,486
	TATOES	LIFT	Echan	WHID .	-4:01	- I-mil
New	32.5		_		_	2
	69.0	+1.3	_		-	***
Apr	71.0	+2.0	71.0	70.0	80	1,361 17
Jan	80.0 90.0	+2.0 +2.0	_	_	_	1/
Total					88	1,300
10 [78]	EIGHT (E	#TEX) LIFE	(\$10A	ndex p	olnt)
0ct	1270	~1	1300	1284	32	729
1	1340	~5	1375	1345	147	606
One Jun	1325	-7	1360	1325	70 101	315 1,898
Aer .	1305 1320	-10 -10	1345 1350	1308 1315	30	649
Jul	1125	_	1150	1150	5	190
Total	_				361	4/429
	Chance 1	Postr				

merinos a Ritis dearer, crossbrads steady, and no clear signs yet of a we upward trend. The decline early in ter ran its course within days, but followed by cautiously developing th rather than the sharp upturn which often follows signs of firmness in the wool market. The main market indicator man-aged a gain of only 2% by early this weak. Further increases applied, but again noth-ing dramatic. The Easten merket indicator ded the selling week at 575 cents a ka 11 cents more than lest week's closing 564 cents. The Western market indicator reached 535 cents, compared with 525 a week before. New Zealand metino wool sold at firmer prices this week, but cross-brecks there leaked to register an ingresse. MEAT AND LIVESTOCK

E 000	LI PEC	HE ID	SALVE					VE CAL	120	WE HILL	ues,	C3 (5)	
		Day's change	Net	Low	- Yel	Open let		Price		High	1,ow	_	
Desc	943	3 -18	958			28,347	Oet	73.000					
Mar	977	2 -17	985			41,799	Dec				獎.700		
and the same	967					17,540	Feb				53,000		
24	1001		1011			11,772	Apr				64.875		
Sep.	101					4,477	Jan				= 900		
	102	-16	1035	1033		4,396	Aug	82,825	-0.2	62,850	82,800		
Total					5,202	132,011	Tutal					16,023	98,01
E 000	DAG:	30E (10	toms	5,500	resi			SCH BY	\$ C	(40,00	JOS CE	e di est	4
Bec	136	2 -21	1378	1362	2510	25,741	Oct				53,725		
Mar	1390	F14	1404	1389	1,366	23,430	Dec	82,125	-0.35	\$2,530	51.825	8,286	15,54
May	1405	-18	1418	1405	146	9,106	Feb				71,150		
100	1420	-20	1433			6,489		68.225					2,9
Sep	1435	-19	1445	1435	100	5,790		73.375					
Dec	1454	i —19	1465	1466				71.200	-0.3	71.880	70,700		84
Total					4,554	\$1,294	Total				1	13,541	
IL COC	OA (IC	(SOC)	DR's/to	mne)									31,6
Oct 23			Pr	tes		vov. day	R PC	XK PE	118	24E (41	1,0000001	i, quit	9/10
Daily			1035.	51		1034.99	Peb				66.860		
							Mar				66.800		
E COF	REE LI	PPE (\$/	(auto)				May	69.400 89.800					
Nov	1510	- 139	1537	1505	835	7.532	Aug						7
200	1384					15,757	Total	antita	10014	40000	00000	1386	-
Mary	1326	-48	1359	1320	881	7.572						1,000	4-
No. of Lot	1308		1226	1300	214	2,980							
Jed	1306	-47	1336	1310	26		LO	NDON	N TR	ADE	D O	PTIC)N:
Sep	1308	–47	1505	1379				prion S					
Total					3,481	34,488							_
M COF	PE 10	CSCE	G7,50	Obs; c	onts/1	De)		() LME		Nov	Feb	Nav	Feb
Dec		-1.85						-, -,			94	13	36
		-1.45									79	23	46
May		-1,65									66	38	57
216		-1.85				927		OFFER					
		-0.50				987	(Grade	e A) LM	E	Nov	Feb	Nov	Feb
Dec	101.25	-290				326					103	12	80
Total					10.173	77.7	1950			-	C - 100	-46	

+0.5 318.5 318.2 193 8,126 +0.3 315.0 313.5 72 11,782 72 11,782 65 4,361 55 1,756 40 1,000 - 284 E SUGAR "11" CSCE (112,000lbs; cents/lbs) 10.06 +0.01 10.78 10.61 4.719 85.363 10.70 - 10.80 10.57 725 28,961 10.92 +0.01 10.70 10.61 464 18,962 10.52 - 10.65 10.63 107 3,784 10.52 - 10.45 10.45 55 654 10.70 - 10.80 10.57 10.52 +0.01 10.70 10.61 10.52 - 10.52 10.53 10.52 - 10.45 10.45

III COPPIE 8001 (US cantal)

ORANGE JUICE NYCE (15,000bs; sersalis) +2.05 110.00 107.55 1,065 +1.75 101.50 99.00 1,908 +1.90 103.40 103.25 835 +1.90 103.40 101.25 +1.75 105.40 103.60 +1.85 106.00 106.00 238 +1.85 107.50 107.50

Open Interest and Volume date Intracts traded on COMEX, NYMEX, CST. NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest lotals are for all tracked months.

INDICES Fleaters (See: 18/9/31 = 100) # CRB Futures (Base: 1967 = 100) Oct 23 244.96 ■ GSCI Spot (Base: 1970 = 100)

Oct 23 Oct 22 month ago 210.70 213.23 200.02

		Day's				Орин
	Price	diam'r) High	Low	96.	≝
Oct	73.000	+0.225	73,000	72,800	3,114	2,590
Dec	85,800	-0.15	BE 175	第.700	8,249	39,572
Feb				52,000		
Apr				64.875		
Jan .				2.000		
Aug	82,825	-0.2	(2,880)	82,800		5,767
Tutal				1	16,023	26,006 ·
	E HOS	S CHE	(40,000	DE CH	res/los	1
Oct	54,000	-0.225	38,300	53,725	303	414
Date				51,825	8.286	15.549
Park				71,150		
Apr	68,225	-0.475	88.850	67,950	705	2.984
-	73,375	-0.025	73.790	72,690	481	3,043
اول	71,200	-0.3	71.880	70,700	512	829
Tetal				1	3,561	
						31,682
R PO	ek pe		2ME (4 €	,000lbi	; qeni	
Pab	68,100	+0.35	89.100	66,860	1,800	4.990
i i			88,800		216	508
Mey			70.200		62	356
<u> </u>			70,500		20	138
Aug			68,000		30	48
Total					1,306	6,047
						-

57 22 90 79 27 \$1

LONDON SPOT MARKETS

-0.275 \$225-226 \$119-121 \$253-255

13,40-3,60 +0.05

OTHER Gold (per troy oz) Silver (per troy oz) \$386.25 \$117.50 -1.2596.0c 45.00c 14.70r Loren 215 bee l +0.05 277.50 97.75p 119.33p 94.85p Cattle (five weight) +3.46*. \$270.60 \$325.00 103.50 126,60 Unq

Rubber (Nov)¶ Rubber (Dec)¶ Rubber (KL RSS No1) 81.75p 81,75p 310.0z Coconut Of (Philis \$730.0v 527,5z \$459.0v 205.0 Palm Oil (Naby.)§ Coora (Phi0§ -25 410p

CROSSWORD

No.9,208 Set by CINCINNUS

Fish isn't- cooked by poet...(8)

Better to have quietly dered one mile ahead (8) 12 Everlasting variety for Peter and Paul (9) 13 City in Florida found thanks to new map (5) Witnesses going back and forth (4)

16 The tipple of Appalachian tipplers? (7)
19 Six points held by a doctor or counsellor (7)
21 Unconstrained, getting shout with iron constraint

24 First three leaving London airport for a fling (5) 25 A top Zola novel about right for Gilbertian dukedom (5-4) 27 God transported in a bus

Maiden confined by had sort of youth? (8)
29 More benevolent German children (6)

DOWN I Spare devil in heaven (6) 2 Not wholly at home with 4 Ways of approaching a god-dess without middlemen?

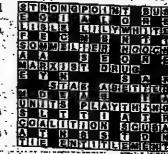
A ruler needs to be about one metre for some soldiers

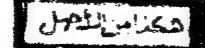
'8. The beast that upsets a printer (8)
11 The name of a male charac ter (4) 15 Former list where amendments are made (9) Type of car with firm sup

port (8) Upset open vessel (8) 20 Rents for reprobates (4) 21 Father's nimble and deli-

cate (7) 22 Powerful, being an officer and a gentleman (6) 23 Change of diet that is foul

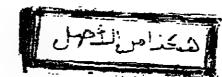
Confused having left port behind? (2,3) Solution 9,207





Offshore Funds

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FT MANAGED FUNDS

FT MANAGED F FT Cityline Unit Trust Prices are available over the telephone. Cell the FT Cityline Help Desk on (+44 171) 873 4378 for more details. Apollo investment Messagement Ltd Jenh Hank Fond Managers (Descripty) Ltd Define Europe Fund More ireland Ltd. Herourt Carte, Herourt Raid, Desin 2 00 3531 4763700 TAA Japan PG Hamana B 7919 47 advocat Management Ltd phal Edgy ______ \$23.61 34.79 street Edgy _____ \$24.10 \$2.40 nemaped Sqty _____ \$29.37 31.17 Drawiner Kleinwort Basson tol Met Services Ltd 14 Touth House, #5C, Dayle 1 00 3621 6701444 For Atlanta son Oper Offices BZW Asset Namegament Guermany Ltd. B) Service of Street, Deather 2
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LGT Asset Management Ltd G from the 5 decisions (*) 11 doing of the Leazurd Brothlers Busestmann Francis Light Leazurd Brothlers Bushal Leading Food (*) 20 9716 Lagrang Louis Leading Food (*) 20 9716 Lagrang Louis Leading (*) 20 9716 Lagrang Leature Cauding (*) 20 9714 Lagrang Leature Cauding (*) 20 9711 Lagrang Leature Leatu . A.05 -- 2.16 -- 2.50 -- 0.45

Morgan Breatel Pixed Income Funds Pic

New Silk Road Fund

Orlean Bullement Fund Pin Ney 80.00

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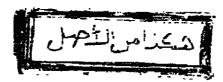
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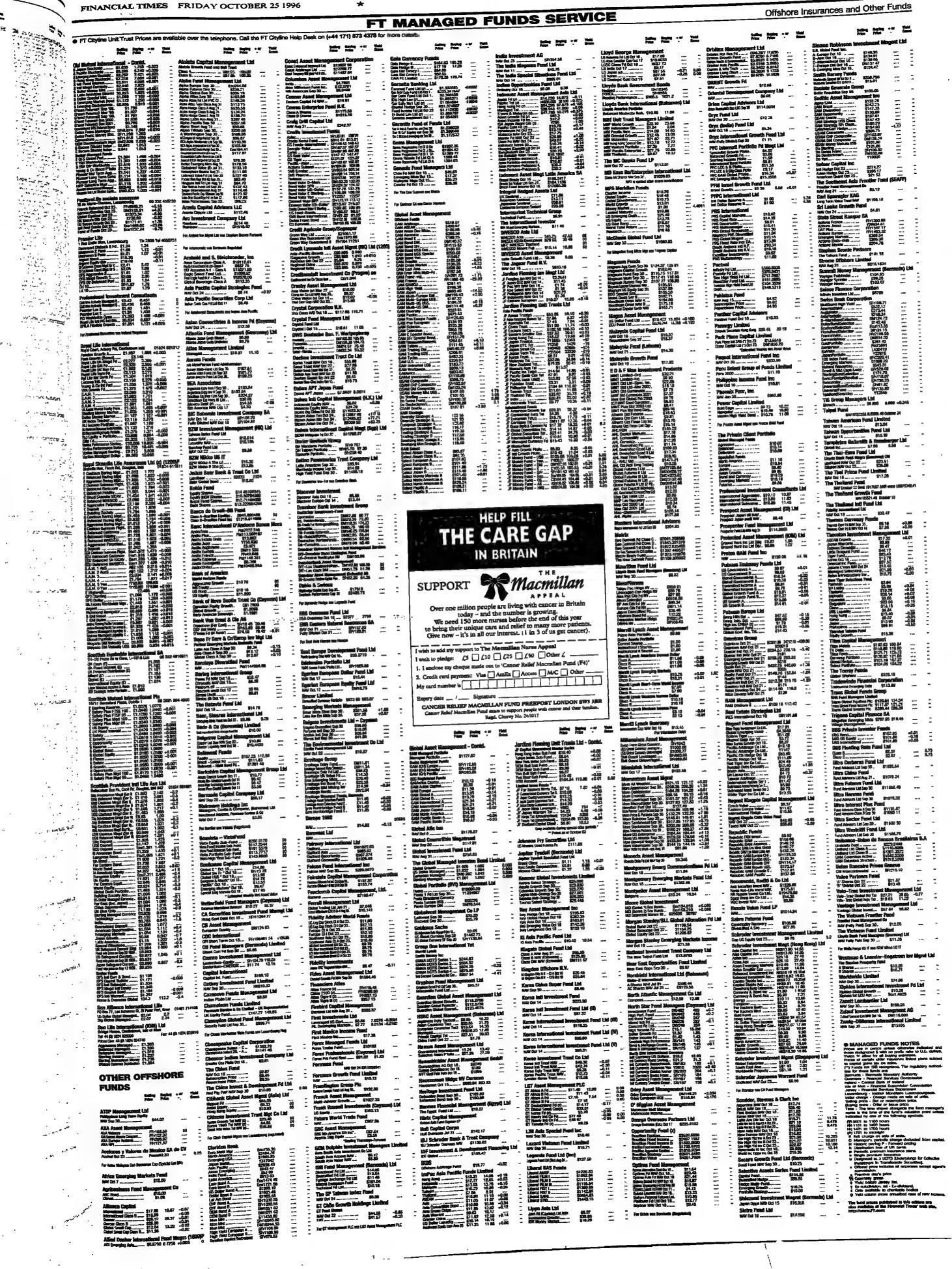
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LONDON STOCK EXCHANGE

Footsie slips below 4,000 on gilts weakness

MARKET REPORT

By Steve Thompson. LIK Stock Mediat Editor

UK stocks fell sharply for the third successive session yesterday, with the FTSE 100 index successful outcome to the latest sliding below 4,000. London was hit by a sharp reversal in gilts and by the continuing weakness on Wall Street.

Gilts came off on widespread profit-taking and also in the wake of a ruling in the European Court against the UK government regarding the refunding of excess value added tax on discounted goods. An unsubstantiated story that Goldman Sachs,

stock was also circulating in the never as weak as the leaders, the market and was said to have second-line issues also gave caused widespread unease.

Earlier, the gilts market had risen strongly in the wake of a auction of £1.5bn-worth of 8 per cent stock dated 2015. The auction, the second this week, was covered 2.66 times.

Tuesday's gilts sale, £2bnworth of 7 per cent stock, dated 2001, was covered an even more impressive 3.57 times.

The FTSE 100 index fell a further 29.0 to 3,999.4, the first time it has dropped below 4,000 since October 10 and extending its

ground, with the FTSE 250 slipping 6.6 to 4.424.5 and the Small-Cap 2.4 to 2,181.5.

Dealers were again unnerved by Wall Street's erratic behaviour, which saw the Dow Jones Industrial Average drop almost 70 points on Wednesday evening before rallying to close only 25 points off. Shortly after the start of trading yesterday, the Dow was almost 40 points lower. despite higher than expected weekly jobless claims.

One senior marketmaker said sentiment in London "has been

the US investment bank, had decline over the past three days blown for the moment. Just as as the regulator of its business, taken the whole of the auctioned to 73.7 or 1.8 per cent. Although any setback during the recent the Civil Aviation Authority. upsurge was shrugged aside, now it seems any rallies are quickly being drowned". He also pointed to the modest but persistent selling of US Treasury bonds during recent sessions.

However, Footsie's weakness masked plenty of individual

ICI was the best performer in the FTSE 100 index, with the market showing its relief that the company's third-quarter numbers were no worse than expected and previous few weeks. were in fact accompanied by a relatively optimistic statement. There was similar relief for BAA, another big outperformer,

The shares jumped 17 to 792%p, in spite of several

brokers reducing full-year

profit expectations. The list

of brokers downgrading

includes Kleinwort Benson

which reduced its estimate

by £20m to £650m. Mr Jer-

emy Chantry at the broker

said: "These are disappoint-

ing figures, but there is an

element of relief they were

Bass fell 11% to 768p on

continuing worries over its

proposed acquisition of

Carlsberg-Tetley being

referred to the Monopolies

and Mergers Commission,

although Allied Domecq.

which is selling the majority

of its stake in Carlsberg-

Tetley to Bass, strengthened

2% to 461%p. One analyst

suggested that there might

be some switching from

Guinness, which fell 10

My Kinda Town rose 16 to

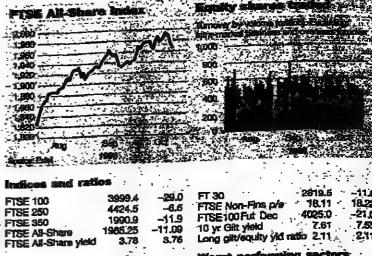
Heathrow, Gatwick and Stansted airports. On the downside, BSkyB took another hammering. The shares followed Wednesday's 6 per cent slide with a similar retreat, after

detailed its final proposals on

charges for the next five years at

News Corp confirmed proposals to issue convertible preference shares against its holding in the UK satellite group, whose stock had been hitting records in the

BSkyB's dismal performance was almost matched by Pearson, where the recent bld speculation continued to wane.



Sainsbury on the war path

By Lisa Wood, Steve Thompson and Joel Kibazo

J Sainsbury hardened to 350p and a number of its competitors weakened on strong rumours that the retailer was about to launch a new price campaign.

Analysts said the retailer was going to offer more points on its Reward card for selected lines. At present, customers get one point for every pound spent after a minimum expenditure of £5. On reaching 250 points, a customer either gets a £2.50 voucher or a range of other

offers. Analysts said if Sainsbury had offered the extra points on all its lines, the competitive threat to other retailers would have been significant. They added that the campaign would provoke a 'tremor" among food retailers rather than an earthquake, but they praised Sainsbury, which has been hit by a number of downgrades, for fighting back.

Tesco, which launched a price initiative recently, taking market share from Sainsbury, fell 7 to 3211/ap, Safeway gave up 6 to 362%p on hefty turnover of 7.5m shares, and Asda softened to 115%p. Turnover in Asda reached 13m shares.

UK airports group BAA ciated confirmation from the

group over the next five

The news that the pricing formula is to be inflation less 3 per cent sent dealers scrambling for stock and by the close of the session the shares showed a gain of 141/2 to 519%p having traded a hefty 7.8m.

One trader said: "It is pure relief, we can now get on with the business of assess ing things properly."

Brokers moved to reiterate their positive stance on the shares. The list included UBS which rates the stock a "buy". In a note to clients. the broker said: "This agreement on the regulation for the next five years effectively lifts the regulatory clouds from our forecasts."

Oil shares were among the worst performers in the FTSE 100, hit primarily by a shift of stance by SBC Warburg, one of the leading UK brokers, but also by a retreat in crude oil prices. Oil sector analysts at the broker moved from "neutral" to "underweight" in the integrated stocks and from "overweight" to "underweight" in the exploration and production issues.

BP bore the brunt of the selling pressure in the majors, the shares dropping 18. or almost 3 per cent, to 670p after heavy volume of 10m.

Shell Transport, meanwhile, held up well during the morning, but finally succumbed to the US pressure late in the day, closing 16 off soared as the market appre- at 1041p. Turnover in Shell was a good 4.4m shares. In

Civil Aviation Authority of the E & P's, Enterprise Oil the pricing regime for the gave up 11 to 558%p and Lasmo 5 to 2140.

The takeover buzz in the regional electricity stocks refused to die down and was put forward as the reason. behind the latest upsurge in East Midlands Electricity which shot up a further 19 to 518p. The shares have risen 34. or ? per cent, in less than a week, amid hints that a predator could be circling

> International chemicals group ICI recorded one of its best days in recent sessions on relief in the market that the group's third-quarter figures had not been worse.

The company reported profits of £131m, at the bottom end of the market's forecasts, but ahead of the most pessimistic forecasts. The market also responded to an encouraging statement along

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163%p. Analysts said there had been rumours of it signing some development deals. Analysts were largely unmoved by the news of the ruling by the European Court of Justice concerning VAT on discount promotions. One of the cases had been brought by Argos, which initially went up on reports that it had won its case but fell 5 to 782%p. The effect of the issue on the profits of Unilever, which also won its case, was seen

as negligible, the shares fell 12% to 1312p, on fading hopes over reorganisation. Support services group Rentakil Initial came under pressure after NatWest Securities downgraded its recommendation on the stock.

The shares fell 12 to 421p, after trade of 5.8m. The securities house moved its recommendation from "hold" to "reduce" believing the shares to now be "overvalued".

BSkyB was again the biggest casualty in the FTSE 100, falling 39% to 596%p on trading of 14m and the equivalent of 2.9m shares in the options market, after News Corp, which owns 40 per cent of BSkyB, confirmed it is to raise at least \$1bn through an issue of preference shares.

One analyst said that the market was worried if Mr Rupert Murdoch felt the shares were fairly valued. By effectively mortgaging some of his stake in BSkyB, Mr Murdoch was suggesting he could get a better return

Emap fell 32 to 712%p after reports of conflicts over corporate governance and allegations of tensions between Mr Robin Miller, the company's chief executive and Mr

quarter figures while Pearson fell 19 to 711%p as speci lation about a possible bid der evaporated.

EMI Group fell 29 to 1227%p as analysis confin ued to evaluate the potentia implications of PolyGran its Dutch competitor, warr ing of flat profits this year.

Shares in Fieldens, th AIM-quoted farm tyre an wheel supplier, fell 5 to 72% after the company spoke of "difficult trading conditions at its annual general mee ing and said that margin were under great pressure.

The announcement of mid-week National Lotter draw worked its wa through the market. Rank with substantial hingo inter ests, fell 8 to 426p.

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3	F.P.	106.1			*Sctory			A	-	0.00	4.8	_	16.7
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•	Harth America (12)	1731.37			1535.25	0.74		2186,39 14	
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David Arculus, the gromanaging director. Reuters softened 5% 772%p ahead of its thir	to Cor	e (13) minimiz (2) h America synight. I shor of co	(12) TSE Interpretage	2218.00 1731.37	+0.2 2 +0.7 1 United 16 Dollars 6	9670.61 24 1213.53 21 1718.36 16 1966. AT r 1966. Value	12.48 36.25	3.16 2.52 0.74 0.74 0.31/12	21,56 64,85	3553.8 2927.3 2186.3 n. brack rthst. Luc	4 2005. 9 1486.
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		Dey's				Year			P/E 2		
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F1SE 350	1990.9	-0.6				1751.3		1.93	16.87		
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	2180.96					1949,81					
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	Oct 24	Day's Day's	Oct 25	Oct 22	Oct 21	NOC.			.P/E.)		
10 MINERAL EXTRACTIONISG	3911.24					2884.02		_	-		_
12 Extractive industries(5)	4175.73	+0.1	4170.97	4210.02	4248.AB	4050.99	3.89	2,86	12.09	162.00	1244.
15 Oil, integrated(3)	4053.23					2875.48					
16 Oil Exploration & Prod(15)	2900,23	-15	SSAS ST	28144	200701	1878.55	1.83	1.71	40.04	52.04	1757.

10 MINERAL EXTRACTION(20)	3911.24	-1.7 3979.74 3974.39 3985.34 2864.02 3.56 1.83 21.61 128.05 1707.58
12 Extractive Industries(6)	4175.73	+0.1 4170.97 4210.02 4248.49 4050.99 3.89 2.86 12.09 162.00 1244.67
15 Oil, integrated(3)	4053.23	-2.0 4137.47 4121.07 4125.68 2875.48 3.69 1.45 23.41 135.18 1818.41
16 Oil Exploration & Prod(15)	2900.23	-1.5 3945.51 2391.44 3390.64 1876.55 1.85 1.71 40.04 52.04 1757.38
20 GEN INDUSTRIALS(276)	2062.22	-0.1 2084.05 2078.71 2087.71 1935.58 4.16 1.78 17.44 73.95 1147.30
21 Building & Construction(34)	1211.49	-0.1 1212.74 1214.36 1215.58 900.70 3.46 1.48 24.21 38.89 1031.82
	1953.41	-0.6 1965.13 1967.62 2005.60 1660.49 3.95 1.88 20.71 62.80 1001.70
22 Building Matte & Mercha(28) 28 Chemicste(25)	2438.51	+0.5 2424.54 2443.05 2449.54 2414.31 4.16 1.45 20.74 88.14 1175.48
24 Diversified Industrials(19)	1470.38	
	2323.54	
26 Bectronic & Bect Equip(\$7)	2650.91	
26 Engineering(71)	3259.18	2662.16.2675.36.2678.41.2138.84 3.07 2.46 10.51 69.22 1638.19
27 Engineering, Vehicles(14)		+0.1 3257.18 3263.05 3306.26.2519.88 3.31 1.72 21.98 84.84 1718.06
28 Paper, Poky & Printing(28)	2600.80	-0.1 2904.15 2508.70 2835.50 2985.09 4.01 1.82 17.09 90.89 1103.43
29 Textiles & Apperei(19)	1183.53	-0.2 1186.37 1183.03 1197.05 1534.39 8.03 1.16 17.80 50.38 735.49
30 CONSUMER GOODS(82)	3753.05	-0.8 3781.83 3805.83 3817.21 3488.46 3.83 1.83 16.97 128.77 1412.35
32 Alcoholic Bermagual II	2786.42	-1.0 2793.74 2823.56 2860.86 2899.38 4.59 1.63 18.73 104.05 1016.03
23 Food Produces (26)	2578.44	-0.6 2595.13 2613.33 2521.49 2495.94 4.06 1.84 . 16.62 85.25 1182.60
34 Household Goods(15)	2768.27	40.1 2765.07 2766.93 2729.09 2630.38 · 3.69 2.25 15.06 .95,47 1077,69
36 Health Care(18)	2012.70	-0.4 2021.57 2031.50 2037.90 1904.83 2.94 1.95 21.77 54.40 1241.11
37 Pharmaceuticals(14)	5885.96	-0.8 5913.98 5960.10 5972.89 4771:38 2.91 2.01 21.30 102.23 2023.84
38 Tobacco(Z)	3606.22	-0.8 3534.59 3609.58 3691.58 4606.51 7.19 2.11 8.25 262.07 928.68
40 SERVICES(264)	2609.61	-0.8 2831.81 2658.01 2667.78 2145.90 2.84 1.97 22.34 73.18 1377.50
41 Distributors(30)	2878.41	-0.1 2881.57 2879.80 2884.39 2885.34 Z.98 2.02 20.88 79.18 1077,83
42 Leisure & Hotels(25)	3194.38	-1.0 3225.24 3251.53 3241.78 2482.47 2.73 2.03 22.52 173.08 1737.16
43 Media(45)	4402.86	-1.9 4459.77 4596.74 4824.35 3336.48 2.08 2.05 29.45 91.70 1611.45
44 Retailers, Food(15)	1987.54	-0.9 2006.32 2026.92 2032.43 2035.73 3.84 2.36 13.44 63.74 1285.24
45 Receilers, General/45)	2174.44	-0.2 2178.85 2190.01 2191.18 1784.51 2.96 2.08 20.37 62.71 1263.58
47 Breweries, Pubs & Rest.(21)	3100.38	-0.9 3129.84 3141.90 3158.62 2501.72 3.35 1.98 18.90 68.29 1503.37
48 Support Services(SU)	2809.02	-0.9 2632-62 2636-29 2638-53 1834-68 1.68 2.26 29.46 47.97 1675,48
49 Transport(23)	2583.53	+0.3 2574.70 2597.83 2815.94 2184.80 3.87 1.12 30.53 82.14 1097.57
60 UTILITIES(SS)	2255.03	2254.27 2269.57 2251,72 2489.19 6.74. 1.76 12.40 167.56 1008.12
22 Bechicky(12)	2313.89	+0.2 2308.82 2320.59 2315.91 2803.71 7.12 2.22 7.92 429.17 1252.95
64 Ges Distribution(2)	1285.50	+1.5 1266.02 1256.42 1256.42 1809.54 9.32 0.83 16.09 119.71 703.44
65 Telecommunications(β)	1942.98	-0.2 1946.82 1968.67 1987.56 2055-24 4.15 1.53 19.70 50.82 902.48
68 Water(11)	2004.58	-0.5 2105.78 2112.24 2124.13 2083.29 6.57 2.31 8.24 94.85 1184.82
69 NON-FENANCIAL S(868)	2057.50	-0.7 2071.35 2085.24 2089.71 1837.52 - 3.78 1.82 18.11 76.90 1593.99
70 FINANCIALS(103)	3298.18	
	4752.40	
71 Benies, Retsil(8) 72 Bunks, Merchantis	3709.63	
	1544.11	
73 Insurance(21)	3823.72	+0.1 1542.19 1542.87 1558.55 1370.85 5.45 2.27 10.11 79.70 1195.52
74 Life Assurance(7)		-G.8 3952.81 3966.84 3686.09 3207.72 4.07 .1.78 17.23 151.01.1825.71
77 Other Phancis(20)	2076.51	-0.1 2680.33 2685.06 2682.82 2385.03 3.99 1.77 17.73 88.27 1552.23
79 Property(41)	1580.89	-0.3 1886,41 1886,75 1856,68 1348,41 3,87 1,26, 25,60 47,58 1038,05
80 INVESTMENT TRUSTS(127)	3177.53	-0.2 3184.19 3204.18 3214.06 2990.89 2.24 1.12 48.89 60.09 1120.72
ED FTEE AE Share(800)	1965.25	-0.6 1976.34 1989.00 1984.54 1730.57 3.78 1.91 17.31 72.31 1896.08
FTSE Fledgling	1235.46	1235.31 1237.32 1239.32 1078.56 2.87 0.86 67.22 29.86 1308.18
FISE Fledging ex iT	1247.47	1247.04 1248.48 1250.19 1079.16 3.01 0.58 71.39 32.67 1322.67
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FTSE 100 FTSE 250 FTSE 350	4027.3 4430.5 2002.4	4032.2 4430.4 2004.3	4023.8 4430.7 2001.0	4034.0 4433.8 2005.3	4025.0 4431.4 2001.6	4430 G	4013.4 4430.2 1996.9	4430.9		4035.7	3999
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Interim Report

Nine months ended September 30, 1996

- Earnings after net financial items and minority shares were SEK 947 M (783).
- Earnings for the full year are expected to total at least SEK 1.1 billion (955 M).
- Profit per share, after full tax, was SEK 14.50 (12.50). Profit per share for the full year is expected to be slightly more than SEK 17.00 (16.05).
- Cash flow amounted to SEK 1,574M (776). Cash flow for the full year is expected to exceed SEK 1.8 billion (1,336 M).

Scancem Group

SEK millions	9 mos. 1996	9 mos. 1995	Past 12 mos.	12 mos. 1995
Sales	10,875	10,529	14,263	13,917
Operating income	2,090	1,657	2,505	2,072
Depreciation	885_	-588	-1,070	-773
Operating income after depreciation	1,205	1,069	1,435	1,299
Shares in associated companies	-2	4	18	24
Net financial items	-216	-145	-234	-163
Earnings after net financial items	987	928	1,219	1,160
Minority shares	40	-145	-100	-205
Earnings after net financial items and minority shares	947	783	1,119	955
Earnings after tax	771	592	940	76 1

Aker Sement og Byggevarer has been consolidated as of January 1, 1996.

Scancem is one of Europe's major manufacturers of mineral-based building materials. The company's main markets are in the North Sea and Baltic Sea Regions. Scancem also conducts substantial cement operations in areas of the United States, Africa and Asia. Group sales amount to approximately SEK 14 billion annually and the number of employees totals 10,300.

> Scancem AB, PO Box 60066, S-216 10 Malmö, Sweden Tel: +46 16 50 00 Fax: +46 40 15 91 80 Website: http://www.sacancem.com E-mail: info@hq.scancem.com

INCES FRIDAY CHUNGS FINANCIAL TIMES FRIDAY OCTOBER 25 1996 **MARKETS** ighs & Lows shown on a 52 week basis STOCK Britanian
Britan 3.84 8.40 3.12 2.45 5.96 8.26 8.80 9.50sd 2.35 8.94 8.55sd 11:11 R Jacobs do Company of the Company of AND OPTIONS 3,905 2.3 2,670 2.8 1,521 5.2 8,360 2.8 8,745 2.0 863 2.8 8745 2.0 863 2.0 875 4.8 1,575 4.8 1,575 4.8 1.700 9E.50 2.75 1.130 1.322 486.30 246.30 246.30 1.322 446.30 1.323 2.534 2.5 -260 4,800 2,175 22 475 6,476 284.5 475 6,476 284.5 -276 1,355 3.8 -25 3,700 1,350 3.8 -25 3,700 1,300 1,3 -85 2,565 1,500 1,5 -4,550 1,029 4.0 -4,550 3,100 3.8 The Originator Peregrine, the specialists in Asian corporate finance and the world's #1 bookrunner of Asian equity issues in 1996." -1,000 12,000 4,900 0.7 -1,000 73,000 13,000 0.7 -2,000 73,000 13,000 0.7 -2,000 73,000 13,000 0.7 -2,000 73,000 73,000 13,000 0.7 -3,000 73,000 73,000 13,000 0.7 -1,000 73,000 73,000 0.7 -1,000 73,000 0.000 0.7 According to the control of the cont BCO PI BCPort 85%ent BorcTA SdodCol PTulcon Sonton Unikus 2.00万万万里的最后,17万万里 1,860 2,677 2,740 4,740 1,660 4,484 2,828 1000 Surpa 1000 Surpa 1000 Surpa 1000 Torberth 1000 Torberth 1000 Torberth 1000 Surpa 10 200 2,000 1,110 4.4
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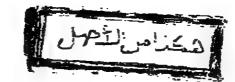
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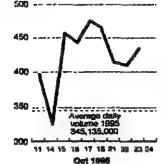
Dow slides in spite of solid results

US shares were mixed at the end of the morning session. Blue chips gave ground, but technology shares rode higher on the back of good gains by a number of sector leaders, writes Lisa Bransten in New York.

At 1 pm, the Dow Jones Industrial Index was off 33.17 at 6,003.29, the Standard & Poor's 500 fell 2.53 at 704.74 and the American

MYSE VOLUME

Dady (million)



Stock Exchange composite Was 1.46 Weaker at 569.27 NYSE volume was 229m

Technology stocks were mixed, but the largest companies in the sector helped the Nasdaq composite advance 4.00 at 1,231.88. Microsoft and Intel, the two largest companies on the Nasdaq, rose \$2% to \$136% and \$1% to \$110% respectively, while Cisco Systems, the third largest company in the index, lost \$1% at \$61%.

In a pattern that has prevailed in many recent sessions, shares in companies fell even after they reported earnings that were better than analysts' expectations. Ms Abby Cohen, co-chair of the investment policy committee at Goldman Sachs, said: "This should not be very surprising, given the significant price gains experienced prior to the actual reports.

Yesterday's examples of this pattern came from Proc-

which both fell in spite of earnings which were stronger than analysts' expectations. Boeing shed \$1% at \$95% and Procter & Gamble lost \$3% at \$92%. A 1 per cent decline in quarterly sales may also have contributed to the weakness in

Worries about fourth-quarter earnings also weighed on the market. AMP lost \$4%, or 11 per cent, at \$34 after the company reported thirdquarter earnings modestly below forecasts and warned that it expected profits in the fourth quarter to be sim-

Procter & Gamble's shares.

Quaker Oats slipped \$1%. or 5 per cent, at \$34% although the cereal and drinks maker reported operating earnings ahead of forecasts. The company reported decline in sales of Snapple, the soft drink company it acquired for \$1.7bn in 1994.

A few companies managed to rise after reporting strong results. Lucent Technologies dded \$1%, or 4 per cent, at \$50% after reporting fourthquarter earnines of 40 cents a share, 3 cents ahead of estimates. Dow Chemical climbed \$1 at \$79 after it reported third-quarter profits of \$1.92 per share compared with a median esti-

mate of \$1.89. TORONTO finally caught Wall Street's sniffles during a dull morning session. After four straight days of steady advance, in marked

contrast to the trend in the US, the Canadian market lost ground, dipping 7.15 to 5,569.03 in terms of the 300 composite index at noon. Conglomerates continued

to lead the winners with a gain of 1.3 per cent, but the trend among the sub-sectors was visibly mixed. Gold shares were the worst performer, slipping by a percentage point.

Among the blue chips, Alcan was a bright spot, rising 80 cents to C\$44.70, but the broad trend was downwards. Seagram lost 15 cents to C\$49.85 and Northern ter & Gambie and Boeing, Telecom 5 cents to C\$87.15.

Mexico stays upside with the IBC index adding 79.08 to 8,040.87 at mid-ses-

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sion. Dealers said that senti-The ment had been kept buoyant BUENOS AIRRS was little

TOKYO drifted lower, as investors continued to shift funds to the booming bond market and volume dwindled on the fourth day of a post-election losing streak,

lost 78.66 to 21,003.49, after moving between 20,855.56 and 21.114.69. Volume fell from 287m shares to an estimated 238m. The Topix index of all first-section stocks dropped 5.64 to 1,571.09 and the capitalweighted Nikkei 300 by 0.92 to 294.56. Declines led advances 699 to 317 with 210

Philips shares fluctuate in record volume

EUROPE

Shares in AMSTERDAM ended ahead after a day of sharp swings at Philips, which fell steeply at the outset, recovered later in the session and, in the process, set a record for a single day's trading volume.

Third-quarter results from the electronics giant fell a long way short of analysts' expectations and the shares fell to a session low of Fi 53 early in the morning. After the analysts' meet-

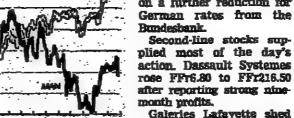
ing, however, there was aggressive buying of the stock which racked up a best-ever volume of 9.1m shares. Philips ended Fl 1.70 higher at FI 58.30. Dealers said that the addi-

tional restructuring planned by the company had heightened hopes for an eventual profits turnround. They said that the shares, which had come down from F167 this month, were keenly sought. PolyGram, Philips's 75 per

cent owned music offshoot.

recovered strongly, climbing Fl 2 to Fl 81.50 after steep falls on Wednesday following a profits warning. Ocevan der Grinten, the copier group, gained Fl 4.60 to FI 184.60 and the brewer Heineken put on FI 4.60 to

ended 2.76 higher at 2,151.62. Shere orice & index februard



MADRID actually reached an all-time closing high, if only just, with the general index 1.66 higher at 383.41. Turnover rose above Telefónica Pta40bn. accounted for a quarter of

Banks also saw strong buying interest with BCH, which was to produce a 20 per cent gain in nine-month profits after hours, closing Pta60 or 2 per cent higher at

that, rising Pta35, or 1.4 per

cent, to Pta2,590 in 4.57m

PARIS shares reversed early losses to edge into positive territory by the close. Turnover was F1316.5. At close, the AEX described by brokers as moderate. The CAC 40 index FFr3.30 to FFr170.

Sentiment was firm, buoyed partly by renewed talk of independent action on interest rates by the Bank of France in spite of Wednesday's apparent veto on a further reduction for

Second-line stocks supplied most of the day's action. Dassault Systemes rose FFr6.80 to FFr216.50 after reporting strong nine-

FFr35 to FFr1,829 following press reports that the retail group's plans to cut costs and jobs had run into problems in the French courts. The steel group, Usinor, came off 80 centimes to FFT77 after a leading broker of the day, its registered downgraded its stance. of the day, its registered shares climbing DM204, or Pathe retreated FFr3.05 to

FFr39.10 in sympathy with the UK media group BSkyB. in which it has a 17 per cent stake. Club Med continued to slide after Wednesday's profits warning. The sheres lost FFr2.10 to FFr326.9. Among leaders, Rhône

Poulenc hardened FFr1.20 to FFr142.5 ahead of today's third-quarter results, Lagardère, a dramatically active share since last week's announcement of the Thomson group takeover, gained

FTSE Actuaries Share Indices THE EUROPEAN SERVES Open 16.30 11.00 12.00 13.00 14.00 15.00 Close FISE BURGERS 100 1772.85 1773.49 1774.97 1773.86 1773.96 1772.51 1772.85 1772.46

Oct 22 Oct 18 . Oct 17 Oct 21 Oct 25 1787.73 1771.25 older 100 - 1771 AZ 200 - 1990.3C † Parist. (174년 1월 - 174년 1월 - 184년) 대 (1866 1월 1월 1일 2016) 1000 GH/1

FRANKFURT'S financials were mixed, but its two hig depressing news from that sector on Wednesday, a insurers rescued the Dax profit warning from the index from another decline. trucks division of MAN left Dresdner and Deutsche Bank contributed to the early the engineering group. equilibrium. In the end, it DM14.80, or 3.7 per cent, lower at DM386, and conwas Munich Re and Allianz firmed the bearish sentiment that mattered as the Dax which had depressed the closed 3.05 higher at an Ibisshares through most of this indicated 2.681.94.

Munich Re was the stock 5.9 per cent. to DMR.660 after the hig reinsurance group said that earnings per share had more than doubled, and bumped its dividend up from DM13.50 to DM16 a share.

Allianz rose DM26.90 to DM2, Deutsche came back to close 14 pfg lower at DM71.10 on a 9 per cent increase in nine-month profits, and Dresdner put on 24 pfg at DM41.15 following the Goldman Sachs upgrade earlier in the week.

The big news in cyclicals

as a good alternative to Roche, Ciba and Sandot.

On the downside, Swiessir extended its recent losses with a fall of SFr86 to SFr963, this time following a slight decrease in the airline's September load factor, The watchmaker Tag Heuer fell another SFr5.50 to SFr203.50, down nearly a trucks. Following Volvo's fifth since its immediate post-flotation peak of SF1252 just over three weeks ago.

STOCKHOLM SAW SKF. the bearings manufacturer. come in with nine-month profits slightly below expectations and fall SKr4.50 to SKr154. The Affaravariden General index eased 3.6 to

HELSINKI, where the Hex index rose 15.51 to 2.247.80, Turnover fell from DM12.1bn to DM9bn. SAP heard Raisio brief investors contributed DM1.9hn of that, about the international launch of its Benecol choics terol-reducing margarine. After an initial fall to FM289, the high-flying ny's preferred recovered DM2.30 of Wednesday's

shares closed FM4.10 better at FM791.59. WARSAW fell for the seventh consecutive session. The Wig index closed 377.8, or 2.7 per cent, lower at . 13,745.6 after a 1996 rise of 80 per cent in dollar terms to the end of last week.

Written and edited by William Gochrane and Jaffrey Brown

Field day for Sydney after wage growth data

and equities had a field day. The All Ordinaries index closed up 30.9 at 2,377.6.

Rate-sensitive stocks shot

storming performance among the banks, with gained 17 cents to A\$7.37.

sharply after hopes for a cut

suggested that New Zeawere tighter than were needed". After this, NZ Telegained 7 cents to NZ\$7.39. Air New Zealand B shares

50 index rose 1.59 to 1,426.61. Small-lot selling in early trading dragged the 225 index down to its day's low by mid-morning. But, as in the preceding session, selective bargain hunting and arbitrage-linked buying on a pick-up in index futures brought the market back up near the previous day's clos-

In the continuing political limbo since last Sunday's general election, analysts said the market was likely to stay directionless until after November 7, the expected date for a special parliamen tary session to confirm the new prime minister. Concerns that the conser

ing levels.

vative LDP, which will lead the new coalition government, will back away from earlier promises of economic stimulus measures hit real estate-related stocks particularly hard at a time of falling land prices. Mitsui Fudosan shid Y30 to Y1,420. However, carmakers were

of the dollar against the year and encouraging reports that vehicle production in the first half of 1996 rose for the first time in six years. Traders noted that foreign

investors, who have stayed net sellers in recent weeks, snapped up car issues. Honda Motor added Y30 to Y2,700 and Nissan Motor Y9 Favourable exchange rates

failed to boost semiconductor-related issues. Hitachi fell Y10 to Y1.020 and Matsushita Electric Industrial Y20 to Y1,840.

The most closely watched stock was the timber dealer, Nichiei, which gained Y7 to Y317 on the market's heaviest volume after auffering the maximum daily permissible drop the previous day. This followed reports that its non-bank subsidiary, Nichlel Pinance, had filed for Japan's largest corporate bankruptcy.
In Osaka, the OSE average

771-47 221.99 193.45 195.18 350.84 189.70 123.97 148.00 174.26 180.93 134.14 134.14 267.88 336.30 276.88 284.32 214.17 232.84 171.73 225.67 163.92 201.77 187.70 157.76 143.71 181.04 155.68 158.28 463.02 470.58 354.67 381.24

113.70 177.01 146.86 197.13 144.40 190.57 166.51 171.87 278.84 282.57 230.17 233.37

257.08 299.31

179.14 215.24 144.87 195.04 171.87 221.99

Shares in SYDNEY closed sharply higher, after lower than expected wage growth figures were seen to signal a cut in interest rates.

Bond yields dipped to their

ahead, while plans for a \$1.5bn share financing by News Corp helped underpin the upturn. News Corp. a dull market lately following a broker stance downgrade, jumped 24 cents to A\$7.28. Rate cut hopes provoked a

National Australia Bank up 29 cents to \$A13.76 and Commonwealth Bank 44 cents better at A\$11.94. ANZ WELLINGTON rose

in interest rates were lifted by central bank comments. The NZSE-40 capital index what dealers described as good two-way volume. central bank

land's monetary conditions com, the market leader, rose 14 cents to NZ\$3.49.

prites Gwen Robinson.

The Nikkei 225 average

Pound Sterling Index

214.38 198.86 152.88 171.08 181.89 168.62 129.85 144.99 220.41 204.56 157.26 175.89 185.59 172.25 132.44 148.11

24.09 187.68 208.88 224.78 208.63 160.41 178.39 339.16 314.79 242.03 270.67 157.67 146.34 112.51 125 185.52 172.18

280.86 260.68 200.48 224.15 200.77 186.34 143.27 180.22 298.48 277.02 212.99 238.19

185.59 172.25 132.44 148.11 350.64 189.70 123.97 178.87 168.01 127.94 142.75 174.26 180.92 134.14 336,14 311.04 238.15 287.46 287.46 336.30 276.89 221.93 206.87 158.37 177.11 214.17 222.84 177.73 291.44 186.35 143.74 180.75 163.92 201.77 187.70 180.45 180.75 145.87 143.71 181.04 155.86 180.42 432.68 332.83 372.21 463.02 470.59 354.67 204.45 189.75 145.89 189.18 291.81 - 78.47 72.82 56.99 42.62 89.78 44.53 67.22 141.74 131.55 101.15 113.12 101.15 164.88 137.75 1594.22 542.68 172.25 488.82 584.00 587.48 425.77

141,74 131,56 101,15 113,12 101,15 104,88 137,75 146,78 564,72 642,68 417,25 486,62 594,00 597,48 425,77 473,68 1205,73 1118,03 860,40 862,20 10226,80 1325,65 791,90 898,48 313,59 251,04 223,77 250,25 246,42 313,59 251,81 357,13 93,09 86,40 66,43 74,28 69,96 94,35 75,94 82,82 282,65 243,76 187,42 206,80 231,70 265,73 222,24 236,19 194,68 180,68 138,93 155,36 254,88 373,48 346,64 296,52 296,08 254,04 455,21 361,94 373,38 348,04 321,15 246,82 276,14 348,04 437,76 314,20 365,49 150,63 175,07 134,51 150,53 164,55 189,22 145,15 145,87 398,92 370,23 264,68 318,34 390,14 369,97 284,19 312,62 244,22 226,68 174,29 194,90 191,55 254,34 210,07 200,66 116,21 106,71 84,36 84,34 116,96 198,95 112,17 162,33 260,57 241,84 185,94 207,94 241,84 260,57 222,29 225,25 267,41 266,74 256,74 256,79 220,96 287,41 266,37 256,38 290,91

263.00 244.09 187.68 209.88 221.05 284.65 215.17 218.47 224.78 206.63 150.41 179.39 185.14 224.79 191.44 192.75 358.18 314.79 242.03 270.67 262.47 336.22 261.13 263.60

187.47 173.98 133.78 149.61 148.46 191.55 187.38 172.63 214.72 199.28 153.22 171.36 183.89 216.41 185.61 190.15 259.60 240.93 185.25 207.17 245.21 280.37 217.26 218.33

218.99 202.94 156.03 174.50 189.11 220.11 188.87 193.22

Share price & index (rebucid

subsided that stake-building with a promising earnings in the cars-to-plantations conglomerate would take place at a premium.

There had been hopes that groups linked to the indonesian presidential family might be interested in using Astra's car assembly and distribution facilities for a "national" car project. The JKSE composite index

closed 0.03 higher at 575.89. SEOUL was uninspired by news that the central bank would cut South Korea's reserve requirement and the composite index, weakened edditionally by a deteriorating supply and demand situation and a debt payment default at Samick Musical, fell 7.54 to 804.44.

Rp4,000, after speculation tutional demand for stocks outlook and the B share index firmed 0.87 to 89.51, turnover rising from

HK\$18.70m to HK\$29.62m. BOMBAY took profits and the BSE index fell 2.75 per cent, Up more than 6 per cent in two straight sessions following central bank moves to loosen credit controls, the index tumbled

91,75 to 3,250,11, Among leading stocks, SBI shed Rs14.20 to Rs225.75 and TISCO Rs6.75 to Rs186, Boebringer Mannhein fell more than 13 per cent after a local plant was shut by the Maharastra FDA. The shares ended off Re7.75 at Re78.75.

against DM3.4bn on Wednes

day as the software compa

DM66.20 loss, closing at

ZURICH complained of

listlessness as the SMI index

rose 10.7 to 8.753.6. However.

Swiss Re took a leaf out of

its Munich competitor's

book, rising SFr19,, or 1.4 per.

cent, to SFr1,341 while Clar-

iant had a similar gain, clos-

ing SFr6 higher at SFr447

after recent buy recommen-

EARACHI took a breather after two days of strong gains. The 100 index, up

Tuesday's devaluation of the rupes, closed 2.98 better at

Trading was described as confused. "The short covering sparked by the currency move has been mostly com-pleted. Investors are in a wait-and-see mood," said one

BANGKOK returned to profit-taking from the Chulalongkorn holiday and the SET index fell 13.54 to 944.51. Finance shares led the way down, as disappointment over recent results added to the selling pres

Finance One fell Bt8.50 to Bt68.50 and Phatra Thanakit, which turned in third-quarter sarnings down 42 per cent, came off Bt4.50 to Bt89.

by speculation about the floa solid set of results from market heavyweight Telmex. tation of CANTV, the state The telecoms giant, which telecoms group. A local financial daily reported that was due to produce a results statement later in the day, the global offer would begin

FT/S&P ACTUARIES WORLD INDICES

..184.29

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200.57

.467.57

140.97

258.65

.287.37

.157.05

was four centavos higher at 12,30 pesos at mid-session. The IPC index gained 1.37 to CARACAS stayed firm South Africa turns down

MEXICO CITY managed to

cling to the upside through

ninned by investor hopes for

... the morning session, under-

sion with a decline of 20.0 at Dealers said a softening rand and bullion price had sliced through sentiment sive" selling. There was a Loraine modest rally towards the R14.80.

MATTONAL AND

Austria (24) ... Belgium (27) .

Denmark (30)

Germany (58)

Maleysia (10 Mexico (27) Netherland (19)..... New Zeeland (15).

Scient (37) ..

Theiland (45).

Americas (794

Pacific Ex. Japan (396)298.87

World Ex. US (1809).

USA (623)

Hong Kong (59) ricionesia (27 Ireland (16)...

Weak currency and bullion close of the session, but the markets ended a three-day industrial index ended down run on the upside in Johan-7.0 at 8,274.4. nesburg, where the overall Golds, a strong market

changed at mid-session with

the Merval index up 0.3? at

lately, closed off 14.1 at index finished an active ses-1.713.7. The bullion price moved back down through \$388 during Johannesburg trading hours, and a number of guld stocks came off steeply.

198.40 152.92 169.20 188.75 129.82 149.92 205.07 157.75 174.88 171.15 131.65 145.95 188.09 129.26 149.29 303.16 237.83 263.66 202.94 188.12 173.07 188.27 149.29 156.85 166.13 129.34 149.38

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131.92 100.71 111.55 100.75 545.58 418.70 455.28 567.00 1112.07 855.48 848.38 10271.00 289.08 222.38 246.53 242.78 85.35 65.86 72.79 98.71 243.30 187.16 207.49 228.83 180.32 138.72 153.78 255.25 180.32 180.32 180.05 180.05

180.32 139.72 153.78 254.25 349.76 259.06 258.28 245.84 320.90 248.86 273.67 345.57

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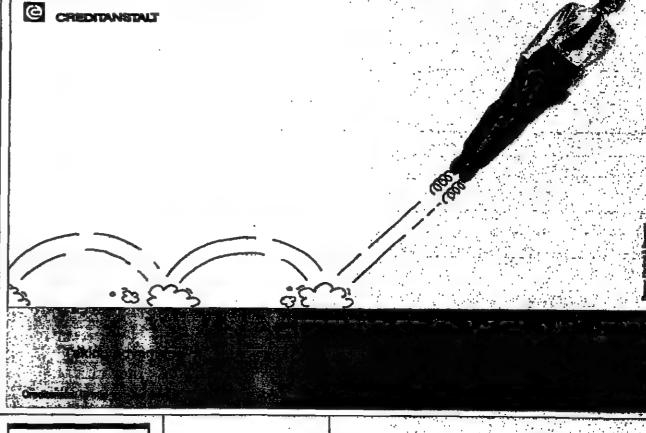
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Loraine retreated R1 to







Notice is hereby given that for the interest period 25 October 1996 to 27 January 1997 the notes will corry on interest rate of 5.94688% per contain imerest payable on 27 January 1997 will amount US\$716.40 per US\$50,000 Agent: Morgan Guaranty Trust Company

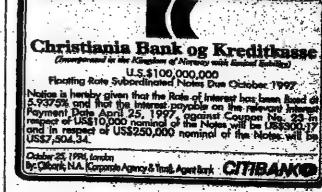
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Coupon amount: US \$ 3,773.44 per

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- strategic business projects. The successful candidate will be aged mid-thirties and be a qualified

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Huigen on Tel: 00-31-20-6444 655 or send your curriculum vitae to Robert Walters Associates, 'Rivierstaete', Amsteldijk 166, 1079 LH Amsterdam, The Netherlands, E-mail: elisabeth huisen@robertwalters.com or fax: 00-31-20-6429 005.

Accountant (CPA/ACA/RA) with at least eight to 10 years experience gained by

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be able to demonstrate excellent career progression within a complex and

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- Provide a strategic approach to management and financial information identifying key areas of focus.

- Salary is negotiable and will reflect the seniority of the position. Assistance with relocation will also be available If you believe you have the necessary attributes and dynamism for this unique role then please send an up-to-date CV, along with your current salary details, to the advising consultants at Harvey Nash Pic, 13 Bruton Street, London WIX 7AH. (Tel: 0171 323 0032) Please purels reference. 0033, Fax: 0171 333 0032.) Please quote reference number HNF160FT. You may also apply via

Candidates will be graduate calibre accountants with at least 7-10 years' PQE gained with a US subsidiary or European multinational. Candidates will display

considerable business acumen and entrepreneurship and

be able to operate in a highly decentralised, profit driven and incentivised environment. They will display a hands-

on management style as well as a strategic approach to performance, profitability and future direction of the

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Dusseldorf

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- Controller of European Operations, responsibilities will include: Directing the financial and accounting functions of a 530
- million business unit in accordance with US GAAP standards and local statutory requirements. Proparing, analysing and interpret financial matters for utilisation by management in the decision making process and evaluating the data with reference to company and unit
- Establishing and maintaining an integrated financial plan consistent with the company's goals and objectives, both short and long term, analysed and revised as required and communicated to all levels of management.
- Developing and revising internal control standards to provide guidance and assistance to other members of management ensuring conformance with company standards.

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Reporting to the CFO, you will manage the daily disposition of cash balances and devise a strategy for long and short term funding.

Customer Project Controller (ref. MF02FT)

You have to manage the new projects from the very beginning of the process to the end, according to budgets, margins, costs... You act as and adviser to the different Project Managers, the Purchase Manager, the R&D Manager and the different people from the Finance and Administration side including MIS.

Plant Controller (ref. TAA02FT)

You are the main correspondent of the Division Financial Controller. You manage a team and you are in charge of the harmonisation of group procedures, the

THE PROFILES: • Age: 30 to 40 • Certified Public Accountant or Business School Degree • Preferably a first experience in Audit followed by an experience I TID PROFILED: " age: 30 to 10 - Certained I make recommend to challenges is required as well as a good maturity and a real sense of analysis in a Magufacturing environment. A strong personnality and a taste for challenges is required as well as a good maturity and a real sense of analysis.

Interested candidates apply in writing to Thomas ANGLES D'AURIAC or Marie FRAIOLI, clearly stating your current salary and the reference of the advert NICHOLSON INTERNATIONAL FRANCE 14 rue Pergolèse - 75116 PARIS (France) - Tél. (00-33) 01 44 17 81 81 - Fax (00.53) 01 45 00 03 20



London, W1 Headquarters

c£33k salary + car, bonus & benefits

Small team; Big ambitions: Unique opportunity; Right time

Our clients, a fully listed plc, are at an early stage of building a portfolio of quality manufacturing and distribution businesses focused on growth sectors of their market. Having just completed their second acquisition in the past 9 months, they need a young, probably late 20s, qualified accountant to join their small team in the role of Mergers and Acquisitions Accountant.

You'll be working with main board directors on potential acqusitions and development opportunities, analysing their performance and liaising with reporting accountants. The job demands a range of skills from financial modelling to forecasting, preparing briefs for external analysts and producing business reviews and long form reports. It will involve you in some UK travel and you must anticipate a number of protracted stays away from London in the course of the

You need to be a Chartered Accountant who trained with one of the largest U.K. practices. A strong background in corporate finance is essential. Beyond that we'd wish to be persuaded that you're likely to share our clients' absolute commitment to growth - and therefore to change.

CVs please and a letter underlining your match with our clients' needs to: John McManus, C&M Search & Selection, 72/75 Marylebone High Street, London W1N 3AR. Ref AM/FT

Courtis

FINANCE DIRECTOR

Telecoms Manufacturing

Our client is a rapidly expanding, autonomous, \$160 million turnover subsidiary of an international corporation engaged in the design, manufacture and marketing of mobile phones and other telecommunications products. They seek to appoint a highly commercial finance professional to the Board who will play an important role in shaping the future of the business. Prime responsibility will be to manage the Finance Group in the provision of financial expertise and business support, and in particular to:

Denmark

- Maintain strict working capital control and drive systems development.
- Drive business planning and evolve organisational strategies to meet corporate goals
- Assess the viability of new initiatives and play a leading role in contract negotiations Make ongoing commercial and strategic contributions to the long term, profitable growth of

the business

Six figure salary package Candidates will be qualified accountants or business graduates with at least 10 years' senior financial management expertise gained in a fast moving, international, manufacturing environment. Strong personal presence, outstanding communication skills and incisive leadership ability are prerequisites. Fluency in Danish and English is essential.

Interested candidates should write with full CV, quoting current rewards package to Mark Hurley, Hoggett Bowers, 7-9 Bream's Buildings, Chancery Lane, London EC4A 1DY Tel: 0171 430 9000, Fax: 0171 405 5995 quoting ref: HMH/6654/FT.



Hoggett Bowers

EXECUTIVE SEARCH & SELECTION



DIVISIONAL FINANCIAL DIRECTOR

World Class Manufacturing Business

Germany



to DM210,000 Package + Car

Sunrise Medical, an NYSE-listed company, is the leading manufacturer of high-value rehabilitation and recovery products for the disabled. Established in California in 1983, the company has a reputation for excellence in manufacturing and a firm commitment to customer service, underpinned by a progressive and forward-thinking style of management. The result has been an impressive and consistent record of growth and profitability, with operations throughout the USA. Canada and Europe.

THE POSITION

- Reporting to the Chief Executive of the company's DM 100m German operation, with a dotted-line to the European Vice-President, Finance. Full functional responsibility for all financial matters,
- including reporting requirements for the US parent, divisional management accounting, budgets, forecasts and
- Significant strategic exposure, playing a pivotal role in the management of a complex, highly cost and margin-sensitive business, at a time of considerable change. A highly influential and prominent role in a young.
- exciting and rapidly expanding business-

QUALIFICATIONS

- Qualified Accountment, preferably Chartered, aged at least 30 and already operating in a senior line management
- Fluency in both English and German is vital.
 Experience in a quality-driven discrete manufacturing environment, preferably with international operations. Broad-based line management experience, with specific expertise in the areas of cost control and profitimprovement. Proscrive, able to demonstrate bott
- Strong interpersonal skills, with the intellect to contribute to the strategic development of the business.

ted candidates should write, enclosing full career and salary details to the advising consultant, William Greenwell at Questor International Limited, 3 Burlington Gardens, London WIX 1LE. Please quote reference 1412.



QUESTOR INTERNATIONAL 4 Michael Baye Group PLC Company

Director of Audit

£80,000 Package + Car & Benefits

London

Seasoned professional required to lead internal audit function in the London Transport Group.

THE COMPANY

- ◆ Annual turnover in excess of £1 billion. Capital
- expenditure to top £1 billion in current year. Group activities include London Underground, LT Buses and LT Property.
- Major projects under way, including the Jubilee Line Extension. THE POSITION
- Responsible for wide-ranging audit programme across full spectrum of LT activities. Responsible to Board Member for Finance with regular reports to LT Audit Committee and Board.
- Evaluate adequacy of systems and controls throughout Group, ensure compliance. Support senior management in effective discharge of corporate governance and recommend improven

Please send full cv, stating salary, ref LG610A1, to NBS, 54 Jermyn Street, London SW1Y 6LX





Tel 0171 493 6392 - Fax 0171 409 1786 Aberdeen . Birmingham . Bristol . City Edinburgh • Glasgow • Leeds • London Manchester • Slough • Madrid • Paris

◆ Lead audit team of 50 professionals, covering

Annual budget of £3 million.

extensive board-level exposure.

techniques; committed to best practice.

of high-profile public sector organisation.

QUALIFICATIONS

financial, operational, IT and Security and fraud.

Chartered Accountant with excellent degree. Ideally

Big Six background with demonstrable record of

success. Thorough understanding of current audit

Broad experience in commercial environment with

Robust professional style, able to meet demands

Excellent communication and leadership skills.



In Europe, the company (with a USD 2,000 million turnover and 8,000 staff), is part of an international group employing 35,000 people, a world leader in the domain of coatings, glass for buildings and automotive, fibre glass and chemical processing, is looking for its coatings and restas

Financial Analysis Manager

Europe

Paris La Défense/France

Working closely with the European Controller, you will be responsible in Europe for:

- · Consolidating monthly, quarterly and annual Systems Business Unit sales and earnings forecasts.
- Providing financial analysis and support to the business unit managers.
- Supplying monthly analysis of the financial
- Providing necessary guifance to ensure completion of the profit plan.
- Controlling the European "micro control" database.

Your working language will be English, two other European languages would be advantageous and you should have a minimum of seven years experience with a US company regional headquarters preferably in a consolidation/reporting function.

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ST. SPE SURY

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You will be able to communicate at all levels and demonstrate good organisation skills. You will be MIS and PC literate.

Please send your CV, photograph, telephone number, present salary to Nicolas Béchu at Michael Page International,

3 boulevard Bineau, 92594 Levallois Perret, France quoting ref NBE14904.

Michael Page International

Executive Resourcing

Financial Director

NORTHANTS

TO \$50,000 # SUBSTANTIAL BENEFITS 4 OPTIONS

This is an exceptional opportunity for a commercial and ambitious finance professional to play a key role in the further development and expansion of a \$25 million tumover consumer durables manufacturing company, which is an autonomous subsidiary of a quoted group. Following a programme of major organisational and operational initiatives, the company is now in a strong position to move forward and exploit and reinforce the strength of its

and finance functions across a range of diverse operations, you will as Financial Director also be expected to make a significant contribution in driving forward business performance and managing the planning process. Initial objectives will include the advancement of accounting and information systems necessary to secure the information to control and plan the commercial success of the organisation.

With full accountability for optimising the financial management

Applicants must be result and profit orientated individuals with well developed commercial and business acumen in addition to sound professional and technical skills. You are likely to be a graduate qualified accountant with a sound knowledge of modern integrated management information systems. A track record of achievement within a substantial, commercially strong, market led manufacturing organisation is essential, as are the interpersonal skills and ability to positively influence management colleagues. You must be equally capable of functioning at board level in supporting and identifying mojor change and in the detail necessary to drive and challenge operational issues and control associated costs.

Please send full personal and career details, including current eration level and daytime telephone number, in confidence to Adrian Edgell, Coopers & Lybrand Executive ourcing Limited, 9 Greykiars Road, Reading RG1 1JG quoting reference AE932 on both envelope and letter.



Cox Insurance Holdings PLC

Cox Insurance Holdings is a fully listed plc, providing insurance coverage through seven Lloyds syndicates to shipping, aviation, nuclear, and non marine industries, together with personal lines business with a total underwriting capacity of £470 million. Due to our rapidly expanding business activities an opportunity has arisen within our London Head Office.

GROUP ACCOUNTANT, INSURANCE Salary £35,000-£40,000 plus benefits

Reporting to the Group Financial Controller, your role will include:

- Management and statutory reporting
- Corporate taxation
- Corporate and overall expense budgeting, forecasting and monitoring
- Supervision of three staff within the finance group

We require a qualified accountant, with at least 2 years post qualification experience, insurance expertise (preferably gained in industry) and strong computer skills. The successful candidate will also possess excellent interpersonal and communication skills both written and oral. The ability to work under pressure, adhering to deadlines and use of own initiative is essential.

In return, the Company offers a very competitive package of benefits including non contributory pension scheme, private medical cover and discretionary bonus award.

Please apply in writing enclosing your current CV stating your current salary to:

John Mitchinson Head of Human Resources 34 Leadenhall Street, London EC3A 1AT Reference: JFM/MS/FTGA Closing date: 8th November 1996 No agencies please.

FINANCE DIRECTOR

c £50,000 + SHARE OPTIONS + BENEFITS

Based at Surrey Research Park and with offices in Germany and Japan, our dient is a young entrepreneurial and ambitious company with a very bright future. Developed through a management buy-out from a major multinational electronics group in 1994, it specialises in leading edge communication and control network design solutions for the automotive and information equipment industries worldwide. Currently enjoying outstanding growth, its ultimate business goal is to achieve a stock market listing within 5 years.

To play a key role in this process, the company is seeking a high calibre Finance Director to join its small management team, Reporting to the MD you will have full responsibility for developing and managing the company's finance, information and administration

Most importantly, you will be expected to contribute significantly to the business management of the company at a strategic as well as an operational level, and within an environment of very rapid global change.

You should be a qualified accountant (preferably chartered), of graduate calibre and with a broad range of solid finance/occounting and business management experience at a senior level within the high tech industry. ideally with an international dimension. Excellent communication and people management skills are: essential, as is a high degree of computer literacy.

Above all you should be seeking an exciting and challenging opportunity, - a situation in which success and rewards will be achieved in direct relationship to your own effort and contribution.

MJ Associates, 51 Church Road, Richmond, Surrey TW10 6LX. Fax: 0181 940 7141.



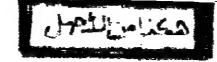
| Coopers | Executive | Resourcing

Our client is one of the world's largest integrated oil and petro-chemical companies. Significant organisational changes are now planned following the decision to restructure and establish centralised shared services. As a consequence an outstanding individual is required to lead the European financial operations in bringing about substantial process and organisational changes whilst uniting the best practices of quality management to their accounting, systems and reporting functions.

As a key member of the management feam, you will play a lead role in setting up and implementing, directing and managing a major element of the shared services function to support the Group's European operations. You will be expected to deliver high value and cost effective support and advice necessary and appropriate for the operations and business groups to achieve. world class competitive standards.

To succeed you will need to be a pro-active and robust individual. with exceptional communication and interpersonal skills, ideally a qualified accountant or an MBA, you must be able to demonstrate a track record of increasing responsibility and meaningful contribution to business performance. You must also be able to evidence the successful management of large teams, the ability to build key relationships and influence decision makers across the European operations of a blue-chip musti-national. The role also demands an ability in at least one continental language in addition to fluency in English. The successful condidate should not word to firm their future career to this role.

Please send full personal and career details, including cerrent remuneration level and daytime telephone number, in confidence to Adrian Edgell, Coopers & Lybrand Executive. Resourcing Ltd, 1 Embankment Place, London WC2N 6NN quoting reference AE931 on both envelope and letter.



FINANCIAL TIMES FRIDAY OCTOBER 25 1996

Senior Internal Auditor

The Ministry of Defence of Oman has a vacancy for a Senior Computer Auditor to complement its professionally staffed Internal Audit Directorate. The post is offered on accompanied contract for an initial period of 2 years, renewable annually thereafter by mutual agreement

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DIRECTOR

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TONS

The MOD currently uses a diverse range of systems, applications and platforms but is undergoing a considerable redevelopment strategy. The candidate should therefore be technically competent on a wide range of established and emerging technologies. Your role will encompass a wide range of duties including the control and integrity issues relating to proposed and existing systems, together with the training of Omani Auditors.

You will have gained extensive experience (at least 7 years) in systems based audit in a diversified organisation at a senior level and be educated to at least Degree level in computing. Preference will be given to those who possess (or are working towards) QICA/CISA qualification

Terms of service include annual Pay in Omani Rials equivalent to Pounds Sterling £23,917. There is an end of contract gratuity of 20% of the total pay received. Both pay and gratuity are TAX-FREE

In addition, an attractive benefits package includes 60 days annual leave with 2 return flights home for self and eligible family, free furnished accommodation, first class recreational facilities and monthly allowance for domestic staff and transport

Suitably qualified applicants, up to the age of 50 years, should write with full CV to-The Recruiting Officer (L). Military Attachés Office. Embassy of the Sultanate of Oman, 64 Ennismore Gardens.



London SW7 1NH.



Knightstone is a leading and progressive housing association in the South West providing housing for people in need. It has more than 9,000 homes in management and a busy developm

We are now looking to recruit to the newly established post of

HEAD OF INTERNAL AUDIT (Ref: HIAI) Salary Range: £32,800-£35,875
Plus Car & Attractive Benefits Package

Based at the Group's central office in Weston-super-Mare you will manage the provision of an internal audit service to the Association and its connected

This high profile post will report to the Chief Executive with responsibility to the

- Specific responsibilities will include: Resk assessment and implementation of an effective audit programme.
- Project management of internal and external audit resources. Servacing the Audit Committee
- Providing miercul salvice and training to stuff on sudst and internal control

You will hold a professional secounting or auditing qualification with a minimum of 5 years' audit management experience. Specific industry experience in housing associations, property development or construction would be an advantage. Essential personal qualities include well-developed oral and written communication skills, confidence and credibility in working with senior executives and Board members and a property the form of housing to be beginned constrold in a penalty changing a pragmatic commercially focused approach to business control in a rapidly changing

For an application form and job description, please telephone: 01934 \$22436 (Answerphone/Queuing System), quoting the job reference.

Closing date for completed application Finday 8 November 1996

Knightstone Housing Association is working towards becoming an Equal Opportunities Employer and encourages applications from all sections of the community

RUSSIAN SPEAKING ACCOUNTANT

experience in the PSU.

available for short or long term

Phone: 0131 440 0089

Financial Controller, Kuwait

Our client is a well established professionally managed financial services company involved in the investment, treasury, real estate and client fund management activities. They are looking to recruit an experienced professional for overseeing, running and directing the financial accounting department.

Key responsibilities will include:

Establishing an effective management decision support system.
 Strengthening of risk and financial control systems.

Budgeting and financial planning.

- Providing the necessary financial analysis and projections to develop Assisting management in performance analysis and monitoring of investments,
- identifying revenue enhancement and cost reduction opportunities and providing effective, relevant and timely advice on a full range of business issues.

The ideal candidate will be a Chartered Accountant or Certified Public Accountant with at least 5 years experience in a similar capacity in a financial institution with a successful coreer record in all the above areas. The incumbent should have systems orientation and must possess good communication and inter personal skills, strong leadership and administrative capabilities and outstanding analytical and conceptual

The remuneration package for this senior management position will be commensurate with qualification and experience and will not be less than US\$ 100,000 (tax free).

Interested applicants should write within two weeks of this advertisement to Manoj Kabra, Fax (965) 2400120, enclosing full career and remuneration details quoting reference CID/10/96.



Finance Director

Our client is a key operating distrion within a Smulti-billion marketplace where group sooer exceeds \$110 million They have successfully completed a management buyout in recent years and in offering a quality agreice driven culture and by adopting a dynamic proach to mene market and business opportunities they are gaining market share. Their abort term business plans include a profit level which will double in

the next financial year and a possible flotation after this. Committed to the principle of constant improvement for er and company alike they seek to recruit a high flying richest who will work closely with the Divisional Managine Director and contribute also at Group Board level:



Based: Midlands

Salary: c£50,000 Package + Choice of Car

The role will focus on maximising profit generation, enhancing the efficiency of the business through strengthening financial disciplines and providing both Financial and Commercial support within a technically advanced environment.

There are a number of attractive features that combine to make this an exciting opportunity for an experienced, ambitious and successful senior manager. Probably in your 30's and an FCA your career to date will have enabled you to develop the range of skills and depth of experience required for this highly visible role. Personal attributes will include excellent interpersonal skills, a high energy level and a clearly focused pragmatic approach to business.

The package will include a negotiable basic salary, choice of executive company car and comprehensive benefits package. However, we feel the deciding factor in your application will be the opportunity to join a fast growing organisation and make a significant personal contribution to its success.

Interested candidates should apply in writing enclosing a comprehensive CV to John Harridge or call for a confidential discussion on 01483 898989

HALLAMS COURT BLACKHEATH QUILDFORD SURREY GU4 SQS

Accounting Manager

Guildford based

A world leader in Callular systems, with 41% of the callular global market and 85,000 employees world-wide, Ericsson designs, manufactures and supplies advanced digital and analogue systems to the most demanding international standards.

With an ever expanding and more demanding customer base, our commitment to optimising product reliability, innovation and excellent customer service is second to none. An exciting opportunity has arisen for an Accounting Manager

to work within the central Finance department at Ericsson's Guildford office which has experienced unprecedented growth in sales and order bookings. As Accounting Manager you will work closely with key divisional

finance management teams to produce periodic financial reports for the Division, Company and Group and will also have the following key responsibilities:

Preparation of periodic budgets and forecasts.

PSD

 Organize, motivate and develop a team of finance staff. Lead the continuous development of all management information systems.

Competitive salary package

We seek a fully qualified accountant with sound accounting and reporting experience gained in a commercial environment (minimum 3 years). You must also be comfortable working under pressure and to strict deadlines. Excellent communication and interpersonal skills will be as important as dedication, initiative and the ability to implement change.

In addition to an attractive remuneration package including relocation where appropriate, you will earn career development opportunities as a high achiever

To apply, please send your Curriculum Vitae together with salary expectations to:- Irls Freeman, Ericsson Ltd., Middeton Gate, Guildford Business Park, Guildford, Surrey GU2 5SG. Tel: 01483 305494, Fax: 01483 305090.





FINANCE MANAGER

NEW OPPORTUNITY TO MAKE YOUR NAME WITH A MAJOR OIL & GAS COMPANY

CENTRAL LONDON Package up to £38,000 plus car and benefits

Mobil Corporation is one of the world's largest energy companies. Its subsidiary, Mobil Sales and Supply (MS&S), is responsible for worldwide crude oil and refined products supply balancing, through the daily trading of millions of barrels of petroleum products, and regulated and unregulated paper.

Responsibility for business and statutory reporting for MS&S Europe has transferred from the US to London, resulting in the need for a finance professional to establish and maintain challenging standards for a young finance organisation. Your team will comprise accountants and transaction settlement analysis, responsible for contract verification, cargo support, and sertlements. With a new system recently installed, the key to your success will be improving service while reducing costs.

Ideally qualified to ACA/CIMA level, with a minimum second class honours degree, you will have three to five years' blue-chip experience in varied accounting procedures, audit and regulations.

Computer literate, you will have proven leadership skills in an environment of continuous improvement.

This is an ideal chance for a hands-on professional to make a major contribution to one of the world's leading oil and gas companies. In return, we offer a competitive salary and benefits package, including a car, private health scheme, pension and a share savings scheme, together with excellent career development opportunities. If you are interested in this challenging role, please submit your CV, including salary details, quoting reference MD5104, to Jerry Goldsmith, Macmillan Davies, Salisbury House, Bluecoats, Herrford SG14 1PU. Tel: 01992 552552. Fax: 01992 505301.

Mobil The energy to make a difference.



Our client is a leading international investment bank, with offices in all major world financial centres. Through its global network, it provides a comprehensive wono manicial centres. Inrough its global network, it provides a comprehensive range of financial services and has a growing international client portfolio. Due to this growth, an opportunity has arisen in the corporate finance department in M&A and Corporate Advisory. This role covers both the marketing and execution of transactions for high profile M&A work in the city. Candidates must be of the biological and coverage: be of the highest calibre and possess:

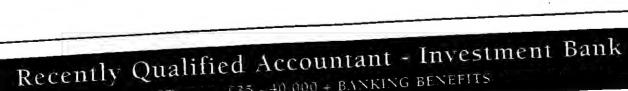
 ACA or MBA qualification combined with an outstanding academic record 2-3 years experience in M&A or Corporate Advisory in an international

 Fluency in French and/or German, would be edvantageous
 First class communication skills coupled with a confident personality and the ability to work to tight deadlines The organisation offers exceptional opportunities for career advancement in a prestigious financial institution, whilst encouraging a team orientated work ethic, individuals are rewarded for creativity and originality.

To discuss this opportunity in total confidence, please contact Richard Anson on 0171 406 4161. Alternatively, send your CV to him at the address below.

5 Bream's Buildings 5 Bream's Buscurys
Chencery Lene
London EC4A 107
Tel 0171 405 4161
Fax 0171 430 1140
E-Meil Ims@psd.co.uk





£35 - 40.000 + BANKING BENEFITS

ur client is one of the largest banks in Europe and one of the top 20 banks world-wide. It has an enviable reputation and a commanding international presence.

TREASURY ANALYST

The recent expansion of treasury trading activity has created the role of Treasury Analysa within operational financial management.

The role requires the monitoring of trading exposure, the analysis of results on a product by product basis and the ongoing provision of ad hoc management information. You will also be required to review the existing systems that support the treasury activities and help advance any changes.

The requirement is for a recently qualified accountant who has gained some exposure to treasury products and ideally understands balance sheet management.

You may currently be with a large accountancy firm or a leading financial services company. As the role will involve extensive haison with different

departments and exposure to senior line management you will need to demonstrate the confidence and ability to communicate at

The bank has a strong emphasis on training and development and offers ample opportunity for career advancement.

To apply please send a full CV with a covering letter detailing current salary to: Andrew Fisher, Parkwell Management Consultants Ltd., 8 Wilfred Street, London SW1E 6PL Telephone: 0171 630 8000; Facsimile; 0171 233 5205

TAKE AN ACTIVE PART IN OUR EUROPEAN GROWTH

Business analyst

One of the world's largest medical technology companies. 3800 employees in Europe. Reporting to the European Division Controller, you will be responsible for giving comprehensive financial support to this business.

Your contribution will essentially be in the following 2 areas : development and implementation of new financial and I.T. systems to support the organisation. - pro-active business and financial support.

You will also be in charge of :
the preparation of all financial statements and reporting to both European and Corporate Ausiness Analyst for our European Microbiology

management, the performance of financial analyses,

- the performance of financial analyses,
- the elaboration of Divisional Forecasts/Budgets
and Long-Range Plans,
You hold an undergraduate degree in accounting, economics or
business, with a sound knowledge of accountancy (US GAAP).

A profesional Accountancy degree/MBA will be valued. A minimum of 3 to 5 years expanence within the financial depart. mum of 3 to 5 years experience within the financial department of a multinational company complemented with excelent knowledge of PC and mainframe systems is required.

Fluency in English and another major European language is essential to be successful in this position based at our European Headquarters in France - Grenoble area. Please send your resume + handwriten letter under reference 415 to **BECTON DICKINSON** - 5 Chemin des Sources · BP 37

BECTON DICKINSON

38241 MEYLAN cedex - FRANCE.

II ERNST & YOUNG

Manager - Management Accountant

Central London

As one of the world's leading providers of business services, Ernst & Young are committed to delivering outstanding value to their internal and external customers. Current turnover for the UK operation is over £400 million with an aggressive growth forecast for the future.

The firm's continued success in the competitive global market relies upon innovation, proactive change and strong strategic focus. This key appointment within the finance team will add depth to the reporting and analysis process for 40 cost centres across the UK business. Supervising a high calibre team of six staff, the role will take responsibility for monthly reporting, forecasting, budgeting and business planning.

Further challenge within the role will be provided by the requirement to re-enginee £35,000 + Car + Benefits

the department and the on-going development of strong relationships with the departmental heads to promote greater understanding of the commercial drivers in their business and therefore add value to the

The successful candidate will be a qualified accountant with strong staff management skills. a commercial focus and previous experience of reporting at a senior level. The key personal attributes will be energy, enthusiasm and excellent communication skills. In return, you can expect rapid progression and a challenging career in this exciting global business.

Applicants wishing to apply should forward a comprehensive CV, quoting reference 314420 to Guy Stacey at Michael Page Finance, Page House 39-41 Parker Street, London WC2B 5LH.

Michael Page Finance

ROXSPUR PLC

GROUP CHIEF ACCOUNTANT

£50,000 package - Hampshire

Roxspur plc is a specialist engineering group engaged in two principal activities: the manufacture and distribution of Measurement and Control equipment worldwide; and the distribution of Technical Products for specialist engineering applications into Europe's major industrial markets. The Group has subsidiaries across Europe and factories based in the South of England and Yorkshire.

An experienced Chartered Accountant is required to join the small head office team of this growing PLC as No.2 to the Group FD. Candidates should be graduates, qualified with a "Big six" firm and have at least three years post qualification experience ideally in manufacturing industry. Preference will be given to those currently employed in a PLC environment who also demonstrate a strong drive and commitment for personal professional fulfilment.

Responsible for consolidated accounts, PLC reporting including full SSAP, FRS. Cadbury and Greenbury compliance. Participate in the evolution of the group tax strategy. Including the acceptance of tax computations for all companies. Manage the organisation of the central accounts staff and their workloads. Achieve agreed objectives to set priorities. Identify areas capable of improvement and delivering the results. The successful candidate will also be required to support the Board in the Group's M&A and operational activities.

An attractive puckage of salary, pension and private health is provided. Performance bonus and share options will also apply to the appointment. The company is eliminating perk cars, however, a personal car allowance is paid.

Please send C.V. to: P W Freeman, Finance Director, Roxspur pic, Jays Close, Viables, Basingstoke RG22 4BS

BUSINESS MANAGER

Health Care

Our client is a progressive and rapidly growing company whose core business is the provision of sophisticated domiciliary care. They also have a considerable reputation for their national consulting practice and their unstituting commitment to the quality of service sets them apart. Theirs is a dynamic environment where teamwork and innovative solutions have created the opportunity for further growth.

In this newly created position you will make a vital contribution to future expansion plans. In

South West London

- Develop and coasolidate commercial and financial systems and procedures.
- Lead new business development activity, including tenders and the negotiation of contracts Manage all commercial aspects of the company including their information systems
- Promote and manage the development of key accounts and represent the company on relevant professional forums

To £37,000

As a qualified accountant, ideally with a service industry background, you will thrive on the challenge of joining a company as it embarks on a period of substantial expansion. Showing excellent interpersonal and negotiation skills you will demonstrate a flair for commercial activities. You will be innovative in your approach to problem solving and be comfortable with the requirement to be involved at all levels of the business and be capable of dealing with a

Interested candidates should write with full CV, quoting current rewards package to Simon Stephenson, Hoggen Bowers, 7-9 Bream's Buildings, Chancery Lane, London EC4A 1DY, Tel: 0171 430 9000, Fax: 0171 405 5995 quoting ref: HSS/6601/FT.

Hoggett Bowers

EXECUTIVE SEARCH & SELECTION



Executives

Key Role in Assessing the Regulation of Investment Business by the Professions

The Securities and Investments Board (SIB) is the central body empowered by the Financial Services Act (FSA) to oversee the UK system of investor protection. As a result of internal restructuring and promotions, the department responsible for assessing the adequacy of the FSA regulatory arrangements and operational procedures of each of the Recognised Professional Bodies (RPBs) is looking for two new executives. Successful candidates will acquire a good knowledge of each RPB's structure and approach to regulation and will carry out on site reviews to test and evaluate systems, procedures and controls. Having formed a judgement with regard to the adequacy of these controls, they will draft reports, including recommendations for improvements and assist in negotiating with the Bodies as to how and when the improvements will be implemented

They will then assist in monitoring the implementation of the recommended changes

The ideal candidates will have experience of auditing or operational reviews and knowledge of packaged and other retail investment products. Good standards of report writing and effective interpersonal skills are essential. Experience of the structure of the legal and accountancy professions and the operations of professional firms would be useful as would experience of. the FSA regulatory system. Some UK travel will

Interested applicants should initially contact Sue Lintern at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LH for an sation pack quoting ref 315871 or telephone 0171 269 2308. Closing date Thursday 7th November 1996.

Michael Page City

Outstanding Young Financial Controller £30,000 - £50,000 plus benefits

About you:

- · Highest levels of drive and enthusiasm
- · Consistent record of achievement · First class, hands-on technical skills
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- Graduate chartered accountant
- 1-3 years post-qualification experience

About this role:

- · Full responsibility for every aspect of our financial affairs · Develop, implement and run the systems to support our growth
- Consolidate our worldwide accounts
- · Hands-on: from expense reports to strategic advice
- About Hagen & Co:
- · Providing a unique technical problem-solving service to the
- world's leading companies
- Growing rapidly in the UK and worldwide · Offices in the UK, USA and Australia

If you are interested, please send a detailed CV to Isobel Beevor, Personnel Manager, Hagen & Co, 5 Harewood Yard, Harewood, Leeds LS17 9LF to arrive no later than 14 November 1996.

Hagen & Co - Making Things Work



The Horserace Totalisator Board (popularly known as 'The Tote') is a statutory body, based In South-West London, which holds an exclusive licence to run pool betting on horseracing in the UK. The Tote is now seeking to make two important financial appointments.

Head of Internal Audit

£40,000 + CAR

The new Head of Internal Audit must ensure that the Tote meets its obligations under statute and in respect of corporate governance. The responsibilities of the job include improving operational efficiency and effectiveness, testing new computerised systems, ensuring adherence to the Board's policies and liaising with the external auditors.

The Head of Internal Audit will report on a daily basis to the Finance Director but will also be responsible to the Audit Committee.

Candidates will be Chartered Accountants with three to five years' post qualification experience. Practical experience of large scale computer systems, probably in an audit role, is an important prerequisite for the post. The ideal candidate will, in addition, have good communications skills and an appreciation of the industry in which the Tote operates.

A salary of £40,000 will be offered for this post together with a benefits package which will include a car.

Financial Accountant

c £30,000

Following an internal promotion, the Tote is seeking to appoint a Financial Accountant. The responsibilities of the Financial Accountant include preparation of four-weekly management accounts, daily treasury forecasts and assisting in the supervision

of the Finance Department. The Financial Accountant will report to the Group

Candidates will be recently qualified accountants, preferably with experience of working in a large organisation. First-rate spreadsheet skills are a prerequisite for this post. Candidates will also need to demonstrate the ability to work as part of a team.

A salary of circa £30,000 plus benefits will be offered for this post.



BDQ Stoy Hayward Management Consultants

Applicants for either post should write, enclosing a full CV, to Mark Green, BDO Stoy Hayward Management Consultants, 8 Baker Street, London WIM IDA, or by fax to 0171-487-3686, quoting reference 54/IH/150 (Head of Internal Audit) or reference 54/IH/151 (Financial Accountant).

Financial Controller - France For US Multivational European hights. \$320 Million in sales. 3 to 5 years exp. in US Milg industry. \$80. years exp. in US Mig industry. S80 to \$100,000 US per year. Excellent benefits, plus car. French/English. C.V. and salary to Recruiter 15545 Ventura. Blvd. #165 Sherman Oaks. CA 91403 or Fax: 818-981-6505

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Accounting Manager

Guildford based

A world leader in Cellular systems, with 41% of the callular global market and 85,000 employees world-wide, Encsson designs, manufactures and supplies advanced digital and analogue systems to the most demanding international standards.

With an ever expanding and more demanding customer base, our commitment to optimising product reliability, innovation and excellent customer service is second to none.

An exciting opportunity has arisen for an Accounting Manager to work within the central Finance department at Ericsson's Guildford office which has experienced unprecedented growth in sales and order bookings,

As Accounting Manager you will work closely with key divisional finance management teams to produce periodic financial reports for the Division, Company and Group and will also have the following key responsibilities:-

- Preparation of periodic budgets and forecasts.
- Organize, motivate and develop a team of finance staff.
- · Lead the continuous development of all management information systems.

We seek a fully qualified accountant with sound accounting

Competitive salary package

and reporting experience gained in a commercial environment (minimum 3 years). You must also be comfortable working under pressure and to strict deadlines. Excellent communication and Interpersonal skills will be as. important as dedication, initiative and the ability to implement change.

In addition to an attractive remuneration package including relocation where appropriate, you will earn career development opportunities as a high achiever.

To apply, please send your Curriculum Vitee together with salary expectations to:- Iris Freeman, Ericsson Ltd., Midleton Gate, Guildford Business Park, Guildford, Surrey GU2 5SG. Tel: 01483 305494, Fax: 01483 305090.

ERICSSON =

c. £45,000 + Bonus + Benefits.

Candidates are likely to be graduates and must be

qualified accountants (probably ACMA). A sound

grasp of product costing gained within a fast-paced, customer-focused manufacturing environment is

essential, and should be coupled with proven success

in using financial management and IT skills to

Previous experience of multi-site operating environments and exposure to Group reporting

requirements would be beneficial. Well developed

interpersonal and communication skills, and the

ability to develop and motivate a beam will be vital

Prospects for personal and career development are

excellent, and the neward package includes a car

and an attractive range of other benefits.

enhance business performance.



Finance Director Multi-Site FMCG Manufacturing

Yorkshire

This £20m subsidiary of an international plc produces consumer products for a number of distinct customer sectors. The environment is characterised by high levels of flexibility and customer service, short lead times and innovative product development. The company's activities are central to the Group's strategy and acquisitions are expected to contribute to substantial growth.

Reporting to the Managing Director, the Finance Director will focus on:

- enhancing and developing systems to measure costs, highlight performance issues and add value to commercial decision-making;
- managing local developments and implementing Group policy on IT and MIS initiatives and ensuring compliance with Group reporting requirements and standards;

 contributing fully to the strategic and operational management of a dynamic and profitable business.



Please send a full CV in confidence to GKRS at the address below, quoting reference number 96632N on both letter and envelope, and including details of unieration

SEARCH & SELECTION PARK HOUSE, 6 KILLINGBECK DRIVE, LEEDS LS14 GUE TEL: 0113 248-4848 A GKR Group Company

